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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-third Meeting
Geneva, 5-9 July 2004

PROJECT IMPLEMENTATION DELAYS

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Overview

1. This document is submitted as a follow-up to decisions taken at previous meetings of the Executive Committee concerning projects with implementation delays. The reports from the implementing and bilateral agencies on projects with implementation delays are available to Executive Committee members upon request.

2. Section I addresses the projects with implementation delays for which reports were requested, Section II addresses projects for which status reports were requested for projects with slow implementation and Section III addresses projects proposed by implementing agencies for cancellation. Section IV considers the impact of delayed and cancelled projects on compliance.

Section I: Projects with implementation delays

3. 81 ongoing projects were classified as projects with implementation delays, i.e., projects expected to be completed over 12 months late or where disbursement occurred 18 months after project approval. The World Bank had 41 delayed projects, followed by UNDP with 19; UNEP with 6; UNIDO with 5; and bilateral agencies with 10. A report from Japan (on 1 project) was not received at the time of writing.

4. Implementing and bilateral agencies categorized the causes for implementation delays associated with these projects according to the seven categories (A to G) of implementation delays.

5. Table 1 reflects all of the reasons for delays provided in the agencies' reports. The total number of reasons for delays exceeds the number of delayed projects because some projects had multiple reasons for delays. Table 1 shows that most of the reasons for delays are attributable to the beneficiary enterprise (40) and external events (22).

Table 1**CATEGORIES OF IMPLEMENTATION DELAYS, BY AGENCY**

Category		Canada	France	Germany	Japan	World Bank	UNDP	UNEP	UNIDO	Total
A	Implementing or Executing Agencies					19				19
B	Enterprise		2			29	9			40
C	Technical Reasons					7	5		2	14
D	Government		1			3	5		1	10
E	External					20	2			22
F	Executive Committee Decisions									0
G	Not Applicable						3		2	5
N/A	Not Available	3		3	1			6		13

Progress in resolving causes of delays

6. Agencies indicated that there have been varying degrees of progress. Seven of the projects listed with delays at the 42nd Meeting have been completed and 2 projects have either experienced progress from one milestone to another or the implementation delay had been removed. These projects may be considered back on track and so are removed from future reporting with the planned completion date indicated in the progress reports submitted to the 40th Meeting to be used for future assessments of delays.

Projects with some progress

7. 42 projects were classified as showing some progress, and would continue to be monitored. However, it should be noted that projects that were approved over three years ago must continue to be monitored pursuant to Decision 32/4, and therefore cannot be removed from the list for monitoring regardless of the extent of progress achieved prior to their final completion.

Projects with deadlines

8. Two of the 15 projects for which milestones and deadlines were set at the 42nd Meeting achieved the required milestone. Four projects are subject to provisions for automatic cancellation and are addressed in the Section III. The following three projects are pending a report at the Executive Committee Meeting on the achievement of milestones.

Agency	Code	Project Title	Milestone Deadline
UNDP	CPR/FOA/28/INV/291	Phase-out of CFC-11 by conversion to n-pentane technology in the manufacture of rigid polyurethane insulation foam at Suzhou Purification Equipment Factory	It appears that the deadline will not be met but the deadline is the time of the 43 rd Meeting. If the project is automatically cancelled, the Committee should note that US \$262,738 of the US \$516,780 was approved for the project and since the equipment was delivered the 66 ODP tonne phase-out for the project should be recorded. The Committee may, however, wish to note that UNDP and the Government of China will attempt to recover the equipment for use elsewhere.
UNDP	URT/FOA/31/INV/13	Phasing out of CFC-11 in the manufacture of flexible slabstock foam by conversion to methylene chloride at Plyfoam Limited	The deadline is the time of the 43 rd Meeting when UNDP should have sent an inspection mission to Tanzania.
UNDP	URT/FOA/26/INV/11	Phaseout of CFC-11 by conversion to methylene chloride in the manufacture of flexible polyurethane foam at Pan Africa Enterprises Ltd.	The deadline is the time of the 43 rd Meeting when UNDP should have sent an inspection mission to Tanzania.

9. The two projects in Tanzania (URT/FOA/31/INV/13 and URT/FOA/26/INV/11) were set for automatic cancellation if the final inspection did not occur by the 42nd Meeting and then by the 43rd Meeting. The Fund Secretariat did not recommend that the project should be cancelled at the 42nd Meeting because UNDP indicated that it planned on the inspection mission to

correspond with other projects in the region for cost savings. UNDP indicated that it would report on the completion of this project at the 43rd Meeting.

Projects with no progress—letter of possible cancellation

10. The projects for which no progress is being reported for the first time are indicated in Table 2. Under the existing procedures, the Secretariat will send notices of possible cancellation for these projects.

Table 2

PROJECTS WITH NO PROGRESS

Agency	Code	Project Title	Net Approved Funds (US\$)	Funds Disbursed (US\$)
France	SYR/REF/29/INV/56	CFC emission reduction in central air conditioning	143,000	8,251
Germany	ALG/FOA/32/INV/45	Conversion of SOFTPM, Choupot Oran, to LCD technology	498,400	480,700
Germany	ALG/FOA/32/INV/46	Conversion of Matelas Souf to LCD technology	561,379	540,530
IBRD	ARG/REF/18/INV/39	Elimination of CFC in the manufacturing plant of domestic refrigerators of Neba S.A.	686,370	398,318
IBRD	CPR/FOA/27/INV/284	Conversion of polyurethane slabstock manufacture from CFC-11 to liquid carbon dioxide technology at Shanghai Shenyin Polyurethane Baoshan Plant	473,480	332,256
IBRD	CPR/FOA/27/INV/285	Conversion of polyurethane slabstock manufacture from CFC-11 to liquid carbon dioxide technology at Chengdu Jinjiang Foam General Plant	554,470	438,682
IBRD	CPR/FOA/29/INV/322	Conversion of polyurethane slabstock manufacture from CFC-11 to liquid carbon dioxide technology in Handan Fuxing Jiahe Foam Plant	515,970	422,775
IBRD	CPR/FOA/31/INV/362	Conversion of polyurethane slabstock manufacture from CFC-11 to liquid carbon dioxide technology at Nantong Xinyuan Foam Plant	510,860	89,380
IBRD	CPR/REF/28/INV/298	Replacement of CFC-12 refrigerant with HCFC-22 in the manufacture of small open type compressors at Wuhan Commercial Machinery Factory	1,457,583	1,097,365
IBRD	CPR/REF/28/INV/300	Replacement of CFC-12 refrigerant with HCFC-22 in the manufacture of small and medium sized open type compressors at Zhejiang Commercial Machinery Factory	1,710,295	1,292,800
IBRD	CPR/REF/28/INV/303	Replacement of CFC-12 refrigerant with HCFC-22 in the manufacture of semi-hermetic compressors at Yueyang Hengli Air-Cool Equipment Co. Ltd.	1,951,757	1,295,580
IBRD	IND/REF/22/INV/126	Conversion of domestic refrigerator manufacture to cyclopentane blowing agent and either R-600a or HCF-134a refrigerant at Voltas Ltd.	3,178,431	2,181,476
IBRD	PAK/REF/23/INV/21	Conversion to CFC-free technology in the manufacture of polyurethane foam at Singer Pakistan Ltd.	205,893	171,924
UNDP	IND/ARS/28/INV/221	Phaseout of CFC by substituting HAPs at Syncaps	161,518	115,215
UNIDO	MOR/FUM/34/INV/44	Phase-out of methyl bromide for soil fumigation in tomato production (first tranche)	400,000	4,262

Projects with no progress to two consecutive meetings of the Executive Committee

11. After a project is classified as a project with implementation delays, and the agency reports to two consecutive meetings of the Executive Committee that there was no progress, implementing agencies, in full consultation with the Government concerned, should establish a deadline for achieving the next project milestone with the understanding that if the milestone was not achieved, the project would be automatically cancelled. In some cases, milestones have already been decided for deadlines to be assessed at future meetings of the Executive Committee as is the case with the Bank's foam project in China and UNEP's global project on SMEs. The implementing agencies have either provided milestones with deadlines or will inform the meeting of milestones and deadlines for the following projects:

Agency	Code	Project Title	Net Approved Funds (US\$)	Funds Disbursed (US\$)	Milestone
IBRD	ARG/SOL/28/INV/91	Conversion from MCF used as solvent to aqua based cleaning at Argelite La Rioja, SA; CIMCAM, SA; Grimoldi, SA; Heliolino SAIC; Integral Metalurgica, SA; Orbis Mertig SAIC; Trosh, SA Unisol, SA and Buffalo, S.A.	216,717	85,085	Signature of SGAs by July 2004
IBRD	CPR/FOA/20/INV/179	Conversion to CFC-free technology in the manufacture of flexibe (slabstock) polyurethane foam at Chengdu Plastics No. 7	301,000	265,944	Installation of equipment by September 2004. (Decision 42/15)
UNEP	GLO/SEV/19/TAS/112	Training modules on management of ODS phase-out in SMEs	40,000	20,000	Project completion by 1 April 2005. (Decision 42/15)

Section II: Projects with Status Reports

12. While institutional strengthening, halon banking, customs training, recovery and recycling, and demonstration projects are not subject to procedures for project cancellation, the Executive Committee nevertheless also decided to continue to monitor them, as appropriate (Decision 36/14(b)). Agencies indicated some progress for all of these projects with the exception of refrigerant management plan project in Saint Kitts and Nevis where the country has been found to be in non-compliance by the XIVth and XVth Meetings of the Parties.

Section III: Projects proposed for possible cancellation at the 43rd Meeting

13. Projects are cancelled either through mutual agreement between the implementing agencies and the country concerned or through the procedures for project cancellation that lead to automatic cancellation of projects if milestones and deadlines are not met. Project preparation activities are cancelled as suggested by implementing agencies.

Cancellations through mutual agreement

14. There are no cancellations through mutual agreement between the country and implementing agency concerned.

Projects automatically cancelled pursuant to Decision 38/8

15. Implementing agencies have indicated that the four projects listed in Table 3 should be automatically cancelled since the agreed milestones and deadlines were not achieved. The reason the project is cancelled is specified in Decision 40/16(b) so that the Executive Committee can take the reason for cancellation into account in its decisions on project cancellation. Phase-out was recorded for this project pursuant to Decision 39/13, para. (b).

Table 3

PROJECTS AUTOMATICALLY CANCELLED

Agency	Code	Project Title	Net Approved Funds (US\$)	Funds Disbursed (US\$)	ODP Phase-Out Recorded	Comments
UNDP	MOR/FOA/22/INV/08	Phase out of CFC in the manufacture of flexible foam (slabstock) at Richbond S.A.	470,625	425,316	0.0	Milestone of agreement signature not Achieved-- Automatic Cancellation
UNDP	MOR/FOA/23/INV/13	Phase out of CFC in the manufacture of flexible foam (slabstock) at Salidor S.A.	299,000	296,775	0.0	Milestone of agreement signature not Achieved-- Automatic Cancellation
UNDP	MOR/FOA/23/INV/19	Phase out of CFC in the manufacture of flexible foam (slabstock) at Mousse d'Or S.A.	280,350	280,350	0.0	Milestone of agreement signature not Achieved-- Automatic Cancellation
UNDP	MOR/FOA/25/INV/22	Conversion to LCD technology in the manufacture of flexible foam (slabstock) to replace CFC-11 at Bonbino Confort	490,200	485,483	0.0	Milestone of agreement signature not Achieved-- Automatic Cancellation

16. As required by the decision concerning the Moroccan LCD projects (Decision 42/15), the Chief Officer sent a letter to the Government of Morocco notifying it of the need to implement the projects and of the requirement on an agreement contained in paragraph 12 (qua) of document UNEP/OzL.Pro/ExCom/42/15/Add.1. Also that, in the event the agreement remained unsigned by any or all of the companies by 15 April 2004, the projects would automatically be cancelled.

17. The decision also requested UNDP to submit a status report with the necessary explanations to the Executive Committee at its 43rd Meeting. A copy of that report is annexed to this document. In lieu of the fact that Morocco will completely eliminate the consumption of CFC-11 as at 1 January 2005, the UNDP document concludes that the Executive Committee may wish to consider whether this new element may form a basis for further discussion on the matter.

Section IV: Impact of cancelled and delayed projects on compliance

18. There is no impact from the cancellation of projects on compliance as the enterprises may use non-ODS alternatives with the equipment provided by the Multilateral Fund, and the Government of Morocco has indicated that it would completely eliminate the consumption of CFC-11 as at 1 January 2005.

Projects with implementation delays and compliance

19. Only one of the 26 countries with projects with implementation delays was found by the XVth Meeting of the Parties to be in non-compliance with a control measure: Libya (data reporting and Annex AI).

20. UNDP again this year indicated that the two foam projects in Libya had experienced some progress. In the case of the Sebha foam project in Libya (LIB/FOA/32/INV/05), the retrofit equipment was ordered and purchase orders have been issued for new equipment at the Ben Ghazi foam project (LIB/FOA/32/INV08) following the agreed mission in March 2004.

RECOMMENDATIONS

The Executive Committee may wish to consider:

1. Noting with appreciation the reports submitted to the Secretariat on projects with implementation delays by Canada, France, Germany and the four implementing agencies as contained in the document on project implementation delays (UNEP/OzL.Pro/ExCom/43/17).
2. Requesting the Government of Japan to provide a report on the projects classified with implementation delays as a matter of urgency.
3. Noting that the Secretariat and implementing agencies would take established actions according to the Secretariat's assessment of status, i.e., progress, some progress, or no progress and report and notify governments and implementing agencies as required.
4. Adopting the milestones and deadlines indicated in the following table:

Agency	Code	Project Title	Milestone and Deadline
IBRD	ARG/SOL/28/INV/91	Conversion from MCF used as solvent to aqua based cleaning at Argelite La Rioja, SA; CIMCAM, SA; Grimoldi, SA; Heliolino SAIC; Integral Metalurgica, SA; Orbis Mertig SAIC; Trosh, SA Unisol, SA and Buffalo, S.A. in Argentina	Signature of SGAs by July 2004.

Agency	Code	Project Title	Milestone and Deadline
IBRD	CPR/FOA/20/INV/179	Conversion to CFC-free technology in the manufacture of flexible (slabstock) polyurethane foam at Chengdu Plastics No. 7 in China	Installation of equipment by September 2004. (Decision 42/15)
UNEP	GLO/SEV/19/TAS/112	Training modules on management of ODS phase-out in SMEs	Project completion by 1 April 2005. (Decision 42/15)

5. The reports presented at the meeting on the following projects to determine if they warrant cancellation or other action as appropriate:

Agency	Code	Project Title	Comments
UNDP	CPR/FOA/28/INV/291	Phase-out of CFC-11 by conversion to n-pentane technology in the manufacture of rigid polyurethane insulation foam at Suzhou Purification Equipment Factory in China	[Possible noting that US \$262,738 of the US \$516,780 was approved for the project and since the equipment was delivered the 66 ODP tonne phase-out for the project should be recorded pursuant to Decision 39/13(b). The Committee may, however, also wish to note that UNDP and the Government of China will attempt to recover the equipment for use elsewhere.]
UNDP	URT/FOA/31/INV/13	Phasing out of CFC-11 in the manufacture of flexible slabstock foam by conversion to methylene chloride at Plyfoam Limited in United Republic of Tanzania	[Possible noting of the completion of these two projects along with the other projects with implementation delays that were reported completed to this Meeting.]
UNDP	URT/FOA/26/INV/11	Phaseout of CFC-11 by conversion to methylene chloride in the manufacture of flexible polyurethane foam at Pan Africa Enterprises Ltd. in United Republic of Tanzania	[Possible noting of the completion of these two projects along with the other projects with implementation delays that were reported completed to this Meeting.]

6. Noting the automatic cancellation of the following project:

- (a) Phase-out of CFCs in the manufacture of flexible foam (slabstock) at Richbond S.A. in Morocco (MOR/FOA/22/INV/08) where US \$425,316 had been disbursed out of the US \$470,625 approved for the project and 150 ODP tonnes had been assigned as phased-out pursuant to Decision 39/13(b) and the reason for cancellation was non-achievement of the agreed milestone.
- (b) Phase-out of CFCs in the manufacture of flexible foam (slabstock) at Salidor S.A. in Morocco (MOR/FOA/23/INV/13) where US \$296,775 had been disbursed out of the US \$299,000 approved for the project and 48 ODP tonnes had been assigned as phased-out pursuant to Decision 39/13(b) and the reason for cancellation was non-achievement of the agreed milestone.
- (c) Phase out of CFCs in the manufacture of flexible foam (slabstock) at Mousse d'Or S.A in Morocco (MOR/FOA/23/INV/19) where US \$280,350 had been disbursed

out of the US \$280,350 approved for the project and 45 ODP tonnes had been assigned as phased-out pursuant to Decision 39/13(b) and the reason for cancellation was non-achievement of the agreed milestone.

- (d) Conversion to LCD technology in the manufacture of flexible foam (slabstock) to replace CFC-11 at Bonbino Confort in Morocco (MOR/FOA/25/INV/22) where US \$485,483 had been disbursed out of the US \$490,200 approved for the project and 90 ODP tonnes had been assigned as phased-out pursuant to Decision 39/13(b).



**REPORT OF UNDP ON THE MOROCCAN FOAM SECTOR PROJECTS
CONVERTING TO THE LIQUID CARBO DIOXIDE (LCD)
TECHNOLOGY -- DECISION 42/15 (i)**

**PRESENTED TO THE 43rd MEETING OF
THE EXECUTIVE COMMITTEE**

United Nations Development Programme

10 May 2004

REPORT OF UNDP ON THE MOROCCAN FOAM SECTOR PROJECTS CONVERTING THE LCD TECHNOLOGY (DECISION 42/15 (i))

A. Introduction.

This report is prepared in line with recommendation (vi) of Decision 42/15 (i) of the Executive Committee relating to the Moroccan Flexible Foam projects that used LCD as replacement technology. The decision reads as follows:

- (i) To note with appreciation the efforts made by UNDP, the Secretariat, the Ministry of Industries, Commerce and Telecommunications (MICT) and all other stakeholders in trying to reach an agreement;*
- (ii) To take note of the report of UNDP against the background of the information provided in paragraphs 12 (bis) to 12 (quin) of document UNEP/OzL.Pro/ExCom/42/15/Add.1;*
- (iii) That the proposed agreement mentioned in paragraph 12 (qua) of document UNEP/OzL.Pro/ExCom/42/15/Add.1 could be considered on an exceptional basis as a suitable way of continuing the implementation of the projects, on condition that each company signed the agreement by 15 April 2004;*
- (iv) To request the Chief Officer to send a letter to the Government of Morocco notifying it of the need to implement the projects;*
- (v) That, in the event the agreement remained unsigned by any or all of the companies by 15 April 2004, the projects would automatically be cancelled;*
- (vi) To request UNDP to submit a status report with the necessary explanations to the Executive Committee at its 43rd Meeting.*

(Decision 42/15)

B. Progress since the 42nd meeting of the Executive Committee.

While the Government has been advised officially about Decision 42/15 by the Multilateral Fund Secretariat, UNDP through its consultants, also has contacted them to remind them about the 15 April deadline and the consequences in case any of the six enterprises would fail to sign the proposed agreement.

On the 15th of April 2004, UNDP received a fax from the Government which is attached to this report. It also annexed the proposed agreement, but only four out of six enterprises have signed (Sodiflex, Bonbino, Mousse d'Or and Salidor). As such, the condition as per ExCom decision 42/15 (v) has not been fulfilled.

The Government's letter also states that the four enterprises that did sign the agreement had invested their own funds into the project, and that they are keen to continue the project with the additional funding proposed under the agreement and for the proposed 2-year extension period that had been envisaged.

The reason why it was deemed important that all six enterprises would sign on to the agreement is related to market consideration in the polyurethane foam sector. Indeed, it has already occurred before that some enterprises were close to project completion, but unwilling to sign the Hand Over Protocol (HOP) to officially acknowledge completion and state that they would no longer use CFC's. They did so citing the fact that one or more enterprises in the country would continue to produce foams with CFC's and that this would constitute unfair competition in the local market. It so happens that the market share of the two enterprises that did not sign the proposed agreement (Dolidol and Richbond) corresponds to about 80% of the flexible polyurethane market in Morocco.

Another letter was received from the Government on 10 May 2004 (date that this report is written), and this letter is also attached. A new element is provided in this letter (last paragraph) as the Government commits itself to completely eliminate the consumption of CFC-11 in the flexible polyurethane sector as of 1 January 2005. This new element would alleviate some of the fears related to market distortions as described in the previous paragraph. Indeed, all enterprises would now be put on the same footing in relation to the use of CFC's, independently on whether they have signed the proposed agreement or not.

C. Conclusions

This report thus shows that the condition under Decision 42/15 (v) has not been fulfilled. It however also shows that a new element was brought in by the Government of Morocco through their latest letter of 10 May 2004. The Executive Committee may wish to consider whether this new element may form a basis for further discussion on the matter.