



**United Nations
Environment
Programme**

Distr.
LIMITED

UNEP/OzL.Pro/ExCom/42/15/Add.1
22 March 2004



ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-second Meeting
Montreal, 29 March - 2 April 2004

Addendum

PROJECT IMPLEMENTATION DELAYS

This addendum is being issued to report the outcome of the meetings organized by UNDP as described in paragraph 12 of document UNEP/OzL.Pro/ExCom/42/15.

- **Add** the following paragraphs 12 (bis) to 12 (quin).
- **Add** the following paragraph 8 under Recommendations.

12(bis) Following the meetings held in Morocco as indicated in paragraph 12 of UNEP/OzL.Pro/ExCom/42/15, UNDP has submitted a report which is available on request. The report provides an account of the meetings that were held, their mode of organization and subsequent discussions that took place after the meetings. The report indicates that at the request of the Government, the scope of the discussions and the resulting proposed agreement were extended to cover all six projects in Morocco converting to LCD technology instead of the four projects mentioned in Decision 41/8 (f). The Government was concerned that successful conversions that did not include all the companies, particularly the larger ones, would create market distortions that would impair their sustainability. The list of the six LCD projects is provided below.

Project	Date approved	CFC Impact (ODP tonnes)	Funds Approved (US \$)	Status
Bonbino Confort	July 1998	90	490,200	Ongoing
Dolidol	May 1997	160	475,822	Cancelled in Dec. 2001
Mousse d'Or	Nov. 1997	45	280,350	Ongoing
Richbond	May 1997	150	470,625	Ongoing
Salidor	Nov. 1997	48	299,000	Ongoing
Sodiflex and Tiznit	Nov. 1997	85	517,300	Ongoing
Total		578	2,533,297	

12 (ter) A draft of the proposed agreement together with a budget which was discussed by all the stakeholders but which could not be eventually agreed by the enterprises before the final deadline for submission of documentation to the Executive Committee is attached to the report. The proposed agreement provided for some guarantees of the quality of installations and their technical performance not usually covered in project documents. Additionally, the equipment supplier would be under obligation to carry liability insurance to cover damages caused by its design (Clauses 5 and 8) during installation.

12(qua) In line with the objective of Decision 41/8 (f) to refine the earlier agreement reported in document UNEP/OzL.Pro/ExCom/41/65/Add.1, a technical assessment was made by UNDP's foam expert which detailed the actions and resources required to enable achievement of successful completion of all six projects. A budget based on the assessment was prepared and incorporated into the agreement. The results of the assessment showed that a total amount of US \$360,000 would be required to successfully complete the projects. UNDP estimated that the remaining balances from the projects amounted to about US \$100,000. Once these balances are taken into account, an amount of US \$260,000 would be required in new funding. The major portion of the costs are due to trials which, consistent with the findings of the study on LCD technology, would have to be of much longer duration than the 5 minutes previously applied in the LCD projects and so resulting in a higher cost. The cost represents about 10 per cent of the chemical costs with the assumption that the enterprises would recover 90 per cent of the foam products from the trials. Other formulation trials to be carried out after the LCD equipment has been successfully commissioned according to the criteria in the agreement would be assisted by UNDP's expert but the cost of the trials would be the responsibility of the companies. The Executive Committee was to be invited to give some consideration to providing additional

funding of US \$260,000 had an agreement been reached with the enterprises. The budget based on the expert technical and financial assessment is provided in Table 1 of Appendix I to the UNDP report.

Conclusion

12(quin) Given that the projects have experienced extensive delays and that implementation of the proposed agreement needed to be expedited in order to enable the Government to reach its goal of rapid phase-out of CFCs in the foam sector to meet its 2005 CFC phase-out requirements, considerable efforts were made to assist the enterprises to come to terms with the proposed agreement in order to expedite the Executive Committee's action on the issue. The report therefore regrets the lack of agreement on the part of the companies to the refinements made to the earlier agreement. Against this background, UNDP concluded that it could not offer any specific advice to the Committee but invites it to consider what further course of action needs to be taken.

RECOMMENDATIONS

8. The Executive Committee may wish to consider the issues raised by UNDP's report as follows:

- (a) To note with appreciation the efforts made by UNDP, the Secretariat, the Ministry of Industries, Commerce and Telecommunications (MCIT) and all other stakeholders in trying to reach an agreement;
- (b) To take note of the report of UNDP against the background of the information provided in paragraphs 12 (bis) to 12(quin) above;
- (c) To decide that the proposed agreement as attached to UNDP's report, could be considered on an exceptional basis as a suitable way to continue the implementation of the projects, and on condition that each company signs the agreement by 15 April 2004;
- (d) To decide, in the event the agreement remains unsigned by any or all of the companies by 15 April 2004, that:
 - (i) Since the Dolidol project has been cancelled as of December 2001, that this will remain the case;
 - (ii) Since trials have been conducted at Richbond as well as Sodiflex and Tiznit but the commissioning of the LCD foam equipment has been a subject of controversy between the stakeholders (the companies, the equipment supplier and the executing agency), UNDP should take necessary steps to resolve any controversy that might have arisen with the view to completing the two projects not later than the end of 2004;

- (iii) That Bonbino Confort and Mousse d'Or be allowed to complete the trials and commissioning of the two projects, not later than the end of 2004;
- (iv) That Salidor be allowed after relocation, to complete the trials and commission the project not later than the end of 2004;
- (v) To request UNDP to take steps consistent with relevant decisions and in consultation with the Government of Morocco, to cancel the affected project or projects, in the event that the stakeholders as described in paragraphs 8 (d) (i) to (iv) above are not able to meet the above objectives;
- (e) To allow UNDP to utilize all remaining funds under the LCD projects in Morocco to accomplish the above tasks;
- (f) To request UNDP to submit a status report with the necessary explanations to the Executive Committee at its 43rd Meeting.
