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**PAPER ON CONCERNS RELATING TO THE SLOW RATE OF PROJECT
COMPLETION AND OPTIONS TO ADDRESS THE ISSUE
(FOLLOW-UP TO DECISION 52/8 (C))**

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Background

1. In its review of the Consolidated Progress Report on activities completed by 31 December 2006, the Executive Committee noted the slow rate of project completion for the fourth consecutive year (decision 52/8(b)). In 2006, implementing agencies completed between 33 per cent and 51 per cent of the projects they had planned to complete (as indicated in their previous progress reports). During a discussion of this issue at the 52nd Meeting of the Executive Committee, it was felt that more information and further clarification was needed regarding the reasons for the delays.

2. The Executive Committee requested the Fund Secretariat to prepare a paper on concerns relating to the slow rate of project completion, taking into account the discussion held at the 52nd Meeting, and requested options that could be considered at the 53rd Meeting on how to address the issue.

3. This document presents reasons why projects have not been completed as per their planned completion dates in their progress reports. It presents an option that might be implemented to improve the accurate measurement of completion delays with a view to avoiding them in the future. A draft of this document was provided to implementing agencies and their comments have been considered in the completion of this document.

Overview

4. There are several reasons for the slow rates of completion as indicated in the Consolidated Progress Report (UNEP/OzL.Pro/ExCom/52/10, paragraph 21), which were discussed during the 52nd Meeting, and that have been identified as a result of a review of projects that had not been completed as planned in 2006.

5. First, the implementing agencies provide their own estimates of when a project is going to be completed and when it has been completed. Since the rate of completion is ultimately based on the agencies' planning of project completion, an important factor contributing to the low rates of completion is the over-optimistic forecasting in the agencies' planning process.

6. Second, the low levels of overall rates of reported project completion might be influenced by the reporting on completion of annual tranches of multi-year agreements (MYAs), project preparation activities, institutional strengthening, and refrigerant management plans (RMPs). Under these types of activities unused funds can be re-allocated thereby extending the time of project completion.

7. Third, some of the reasons for the low rate of completion in 2006 are related to activities within the purview of the implementing agencies and some are not. Project completion rates can therefore be influenced by delays that are beyond the control of the agency.

Over-optimistic forecasts

8. Table 1 presents a comparison of the number of projects targeted for completion in 2006 based on the progress reports that were submitted in May 2005 and the number of projects

targeted for completion in the implementing agencies' business plans, which had been submitted in February 2006.

Table 1

PLANNED 2006 PROJECT COMPLETIONS (excluding project preparation)

	UNDP	UNEP	UNIDO	World Bank
Business Plans	55	86	36	20
Progress Reports	140	181	90	43
Difference	(85)	(95)	(54)	(23)

9. Table 1 indicates that the agencies targeted from between 23 and 95 fewer project completions in their business plan indicators than the total number of project completions that they had forecasted on a project-by-project basis in their annual progress reports. This may explain why the implementing agencies' performance, when judged against their business plan targets, achieved between 90 per cent and 110 per cent of their targets, but achieved only between 33 per cent to 51 per cent of their targets when compared to their progress report forecasts, as shown in Table 2.

Table 2

COMPARISON OF 2006 RATES OF COMPLETION

	UNDP	UNEP	UNIDO	World Bank
Progress Reports	33%	47%	51%	48%
Business Plans	87%	103%	97%	110%

10. This disparity in rates of project completion exists because the completion dates in the progress reports are estimated nearly one year before those in the business plans. A more realistic assessment of project completion would logically stem from setting dates for completion in the progress reports several months prior to the reporting period rather than nearly a year in advance.

11. The Executive Committee might wish to consider whether this issue could be addressed by requiring the implementing agencies to submit planned completion dates for all ongoing activities to the last meeting of the year, in order to enable more realistic dates to be set, and allow the Secretariat and the Committee to more accurately assess rates of completion. These completion dates would not change the definition provided for the indicator in the annual approvals of the business plan performance indicators.

12. It should also be noted that if the Committee agrees to a reorganisation of its meeting agenda to two meeting per year, it is already foreseen that a second progress report would be provided by the implementing agencies, which would include both updated financial information and updated information on planned dates of completion.

Types of Projects

13. Annex I presents the number of projects completed in 2006 and the number planned for completion in 2006 for the following categories of projects: annual tranches of MYAs, institutional strengthening, RMPs, project preparation, and individual projects. Individual projects are defined as investment, demonstration, technical assistance, and country programme preparation. Table 3 presents the resulting completion rates for these categories of projects.

Table 3**2006 COMPLETION RATES BY TYPE OF PROJECT**

Type	UNDP	UNEP	UNIDO	World Bank	Bilateral	Overall
RMPs	14%	40%	50%	-	22%	32%
Annual Tranches of Multi-year Agreements	37%	22%	33%	35%	25%	32%
Project Preparation	43%	63%	47%	43%	25%	46%
Institutional Strengthening	55%	57%	100%	67%	100%	59%
Individual Projects (Investment, Demonstration, Technical Assistance, & Country Programme Preparation)	29%	38%	66%	55%	19%	42%
Overall/Grand Total	33%	47%	51%	48%	24%	41%

Source: Progress Reports.

14. Table 3 suggests that the rate of completion of RMPs is lower than the rate of completion for individual projects. Therefore, its inclusion in the overall rate of project completion lowers the number with respect to that indicator. However, the completion of RMPs is a prerequisite for the approval of a TPMP, which should assist with the 2010 control measures. The delay in completion of RMPs is significant because the intent of the RMP is to provide assistance to enable the implementation of the 2007 control measures.

15. The inclusion of data from annual tranches of MYAs also reduced the overall completion rates of the agencies. The inclusion of project preparation data increases the overall rate of completion for UNDP, UNEP and bilateral agencies, but decreases the rates of project completion for UNIDO and the World Bank. The inclusion in the calculation of institutional strengthening projects improves the overall average with respect to the rate of project completion.

16. The overall completion rate for all project types was higher for UNIDO and the World Bank than for the other agencies. The rate of completion of individual projects by UNDP and UNEP may be influenced by the fact that they are implementing more projects than UNIDO and the World Bank, as indicated in Annex I.

17. The reasons why projects have not been completed as planned can vary according to the type of project and within types of projects. For example, individual projects may have actual implementation delays; institutional strengthening projects may not have been completed as planned because funding requirements fluctuated over time; or, an individual project may have been cancelled or transferred to another agency.

18. Moreover, the definition of project completion can differ across project types. For example, for individual projects, completion usually refers to completed conversion, phase-out and equipment disposal activities, whereas for institutional strengthening projects completion is determined when all of the funds are exhausted. Project preparation activities are completed once a project has been prepared and submitted to the Executive Committee. MYA tranches are now defined as completed when all activities financed or partly financed by the tranche are completed.

19. Finally, various types of projects can be associated with important achievements, irrespective of their completion dates. For example, MYA tranches associated with annual phase-out targets almost always reach their phase-out targets even if activities are not completed, which in turn can contribute to a country's compliance. Individual projects may also have achieved phase-out targets but would not be considered completed until additional steps had been taken, according to decision 28/2. National Ozone Units (NOUs) continue to fulfil annual reporting obligations, monitoring functions and public awareness activities without fully utilizing the funds approved for them.

Extent to which low rate of completion is related to the implementing agency

20. For the purpose of the review of reasons that projects had not been completed as planned, all types of projects (including project preparation and institutional strengthening projects) have been included for assessing the agencies' rates of completion. Similarly, the rates of completion were calculated based on all projects, including projects with no delays in implementation. Table 4 presents the reasons, by agency, for the slow completion rate in 2006.

Table 4

REASONS FOR SLOW RATE OF COMPLETION IN 2006

Reason for Slower Rate of Project Completion	Including Indeterminable		Excluding Indeterminable	
	Number	%	Number	%
Possibly related to Agency and/or Government	104	30%	104	41%
Additional activity/Change in project	55	16%	55	22%
Change in NOU/Ministry/Government/Project Management Unit (PMU) establishment	18	5%	18	7%
Signature of agreement/project document/Memoranda of Understanding (MOU) delays	16	5%	16	6%
Project cancelled/transferred	15	4%	15	6%
Related largely to Agency	75	22%	75	30%
Late start/Bidding process/Incomplete submission	43	13%	43	17%
Delayed study/report/plan/survey/delivery of equipment	18	5%	18	7%
Misclassification--financial account closure awaited or appears to be completed	14	4%	14	6%
Related largely to Government	41	12%	41	16%
Government approval/Selection of national consultant/NOU communications/Required financial reports delays	21	6%	21	8%
ODS legislation delay	20	6%	20	8%

Largely not related to Agency or Government	34	10%	34	13%
External reasons--political reasons/natural disasters/economic circumstance	15	4%	15	6%
Technical reasons	12	4%	12	5%
Enterprise management problem/Site preparation delayed	7	2%	7	3%
Grand total excluding indeterminable			254	100%
Indeterminable	88	26%		
6 months or less late	20	6%		
Phase-out Agreement without an indication of a delayed activity	40	12%		
Reason could not be determined	28	8%		
Grand total	342	100%		

Source: Progress Reports and Reports on Implementation Delays

21. Thirty per cent of the reasons for the slow completion rates in 2006 as planned (104 out of 342 projects) are attributed to a category entitled “Possibly related to either Agency or Government”. This category reflects some uncertainty as to whether either the implementing agency or the government was responsible for the delay. It suggests that there may be room for improvement through more accurate planning.

22. The next largest category covered projects for which the reasons for not completing projects as planned were indeterminable. This category includes 88 projects (26 per cent of the total). Twenty of these projects were planned to be completed less than six months after the original date that had been set for their completion. These 88 projects also include MYA tranches. For these, some agencies had indicated in 2005 that their original completion dates would be determined by the achievement of the performance target according to the agreement with the Executive Committee, rather than according to the expected completion of the activities within the tranche. Since 2005, several Executive Committee decisions have made it clear that agencies should report tranches completed based on the completion of all activities. This may be another reason why MYA tranches were reported as not having been completed as planned in 2006.

23. One agency noted that with respect to annual tranches of MYAs and RMP components that have limited flexibility, implementation delays can be caused by difficulties in using remaining funds after planned activities are completed, for additional relevant or complementary activities that were either omitted originally or which had surfaced during the life of the project.

24. This document concerns only those projects that were not completed as planned. The actual completion of these projects has been postponed beyond the planned completion dates, on average, by over two years from the date originally specified in project documents (which had been the approved completion date). The overall delay for projects not completed as planned in 2006 was 27 months. On an agency basis, the average delay for these projects was: 22 months for UNDP (based on 102 projects), 27 months for UNEP (based on 100 projects), 25 months for UNIDO (based on 51 projects), and 32 months for the World Bank (based on 25 projects).

25. The third most significant category of reasons for the slow rate of completion in 2006 (75 projects) is related to the activities of the implementing agencies. This constitutes 22 per cent of the projects that were not completed as planned. The lack of completion appears to be due to a late start; difficulties during the bidding process; submission of incomplete requests; delayed activities such as studies, reports, surveys or equipment delivery; or, the project may have been incorrectly categorised as not completed. These types of activities are largely, but not exclusively, controlled by the agencies.

26. Forty-one projects (12 per cent) were not completed as planned in 2006 for reasons related to activities of governments. This category of delays includes projects that are delayed pending ODS legislation, or government approval, or reporting. It should be noted that the completion of ODS legislation and government reporting are requirements for funding of TPMPs and institutional strengthening.

27. Some delays are related either to the implementing agency or a government. In 2006, this included 34 projects (10 per cent). These projects were delayed for technical reasons (for example, alternatives did not exist), reasons related to beneficiary enterprises, or external political reasons, natural disasters and economic circumstances.

28. Finally, it is noted that the assessment of the category of delays (Table 4) was undertaken by the Secretariat based on data provided by the agencies in their progress reports. The agencies were not involved in determining the categories for assessment of delay.

Impact of slow rate of completion in 2006 to compliance

29. Thirty-three Article 5 countries subject to decisions on compliance had in total 74 projects that were not completed as planned in 2006. Table 5 shows that despite the fact that projects were not completed as planned, the delays in project completion do not necessarily result in non-compliance since 46 of the delayed projects are associated with countries that are in compliance with their action plans for 2006; eight have submitted the required action plans; and a clarification of a licensing system issue is pending for one country. These countries do not appear to have been adversely affected by slow rates of completion.

Table 5

STATUS OF COMPLIANCE OF COUNTRIES SUBJECT TO DECISION ON COMPLIANCE WITH PROJECTS THAT WERE NOT COMPLETED AS PLANNED IN 2006 FOR COUNTRIES SUBJECT TO DECISIONS ON COMPLIANCE

Action on compliance issue	Number of projects	Number of countries
In compliance with action plan	46	21
Action plan submitted	8	3
Clarification of licensing system issue pending	1	1
Provided a report on licensing but licensing is not operational	13	7
Possible future non-compliance	6	1
Total	74	33

30. Seven countries with 13 projects have reported to the Parties as required on the status of their licensing systems, which have not been implemented. There is one country with six delayed projects that had informed the Implementation Committee that it may be in non-compliance for the years 2007-2009. In these cases, the slow rate of completion was largely related to government actions to establish the licensing systems/ODS regulations and in the case of possible future non-compliance, a delayed signature of a project document awaiting resolution of a metered dose inhaler project issue.

Conclusions

31. Implementing agencies have been able to effectively target the completion of projects in the weighted indicator for project completion in their business plans because the forecast is provided during the year of evaluation. A more accurate forecast than that which exists in the progress reports submitted to the second meeting of the year could be provided in a progress report (or updated information on planned completion dates for ongoing projects) that would be submitted to the third meeting of the year. This would be consistent with the existing decisions on the performance indicator and would probably result in a more accurate assessment of rates of project completion.

32. With respect to the reasons for delays of projects that were not completed in 2006, 75 (22 per cent) of the 342 projects that were not completed were categorized as delayed largely due to the implementing agency. Up to an additional 104 delays could be related in part to agency activities. However, there is no evidence that the slow rate of completion in 2006 has had an immediate negative impact on countries that have already been subject to compliance decisions.

Recommendation

33. The Executive Committee may wish to consider:
- (a) Noting the Paper on concerns relating to the slow rate of project completion and options to address the issue (follow-up to decision 52/8 (c)) as contained in UNEP/OzL.Pro/ExCom/53/62; and
 - (b) Requesting bilateral and implementing agencies to provide planned completion dates on ongoing projects to the last meeting of the year.

Annex I

**TABLES ON THE NUMBER OF PROJECTS PLANNED FOR COMPLETION IN 2006
AND THOSE ACTUALLY COMPLETED BY PROJECT TYPE**

Table 1

NUMBER OF PROJECTS PLANNED FOR COMPLETION IN 2006

Type	Bilateral	IBRD	UNDP	UNEP	UNIDO	Overall
Annual Tranches of Multi-year Agreements	24	17	41	9	39	130
Institutional Strengthening	2	6	22	76	3	109
RMPs	23		29	80	4	136
Project Preparation	4	7	14	8	15	48
Individual Projects (Investment, Demonstration, Technical Assistance, & Country Programme Preparation)	27	20	48	16	44	155
Overall/Grand Total	80	50	154	189	105	578

Table 2

NUMBER OF PLANNED PROJECTS COMPLETED IN 2006

Type	Bilateral	IBRD	UNDP	UNEP	UNIDO	Overall
Annual Tranches of Multi-year Agreements	6	6	15	2	13	42
Institutional Strengthening	2	4	12	43	3	64
RMPs	5		4	32	2	43
Project Preparation	1	3	6	5	7	22
Individual Projects (Investment, Demonstration, Technical Assistance, & Country Programme Preparation)	5	11	14	6	29	65
Overall/Grand Total	19	24	51	88	54	236
