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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fortieth Meeting
Montreal, 16 -18 July 2003

PROJECT IMPLEMENTATION DELAYS

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.
2. The reports from the implementing and bilateral agencies on projects with implementation delays are available to Executive Committee members upon request.
3. Section I addresses the projects for which reports were requested and Section II addresses projects proposed by implementing agencies for cancellation. Section III considers the impact of delayed and cancelled projects on compliance.

Section I: Projects with implementation delays

4. 90 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 40 delayed projects, followed by UNDP with 29; UNIDO with 15; UNEP with 3; and bilateral agencies with 3.
5. Implementing and bilateral agencies updated the status of projects with implementation delays and included assessments of whether or not the projects had experienced any progress since their last report to the 39th Meeting including projects previously categorized as having delays and those newly classified since the 39th Meeting.
6. Implementing and bilateral agencies categorised the causes for implementation delays associated with these projects according to the seven categories (A through G) of implementation delays.
7. 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 (60). Most of the other reasons for delays are attributed to external circumstances (32), implementing/executing agencies (21), technical reasons (15) and government (12).

Table 1

CATEGORIES OF IMPLEMENTATION DELAYS, BY AGENCY

Category	Category	Germany	IBRD	UNDP	UNEP	UNIDO	Total
A	Implementing or Executing Agencies		18		3		21
B	Enterprise		36	17		7	60
C	Technical Reasons		8	7			15
D	Government		8	1	2	1	12
E	External		19	9		4	32
F	ExCom Decisions						0
G	Not Applicable					4	4
N/A	Not Available	3					3
Total		3	89	34	5	16	147

Progress in resolving causes of delays

8. Agencies indicated that there have been varying degrees of progress. 7 of the projects listed with delays at the 39th Meeting have been completed.

Projects with some progress

9. 55 projects were classified as showing some progress, and would continue to be monitored. It is to be noted that 27 of these projects were classified by the agencies as having had progress. However, they were reclassified as having had some progress since the projects were approved over three years ago and should continue to be monitored pursuant to Decision 32/4.

Projects with deadlines

10. The Chandra commercial refrigeration project in India (IND/REF/19/INV/92), had a deadline set at the 38th Meeting. The milestone was relocation of equipment by June 2003. Although the report submitted to this meeting is based on information through April, the World Bank has indicated that it is seeking the cancellation of this project with the agreement of the Government of India. That agreement is pending and may be reported at the 40th Meeting.

Projects with no progress—letter of possible cancellation

11. 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\$)
IBRD	IND/REF/22/INV/123	Elimination of CFCs in the manufacture of commercial refrigeration equipment at Hindustan Refrigeration Industries	132,320	49,000
UNDP	NIR/FOA/26/INV/35	Phase-out of CFC-11 by conversion to MeCl in the manufacture of flexible foam at Confidence Products and Services.	142,300	128,724
UNDP	SYR/REF/26/INV/39	Conversion from CFC-11 to HCFC-141b and CFC-12 to HFC-134a technology in the manufacture of domestic refrigerators at El-Effendi Refrigerator Plant.	182,802	114,294
UNDP	TRI/ARS/25/INV/12	Project to phase-out use of CFCs in aerosol filling at Hand Arnold Industries Limited (HAIL)	119,570	110,554
UNIDO	ARG/FOA/20/INV/47	Phasing out CFC-12 at Mallol Saic	299,344	257,177
UNIDO	IND/SOL/28/INV/223	Conversion of cleaning and coating processes based on CFC-113 and CTC to processes based on IPA at Vidyut Metallics Ltd. (VML)	225,452	180,261
UNIDO	PAK/REF/23/INV/17	Phasing out ODS at the freezer factory at Hirra Farooq's (Pvt) Ltd.	521,580	410,049
UNIDO	TUN/ARS/28/INV/35	Phasing out of CFCs at Laboratoires Parcos	76,127	68,618

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

12. 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. The implementing agencies have either provided milestones and deadlines or will inform the meeting of milestones and deadlines for the following projects:

Code	Agency	Project Title	Net Approved Funds (US\$)	Funds Disbursed (US\$)	Milestones
BOL/FOA/28/INV/10	Belgium	Conversion from CFC-11 to HCFC-141b technology in the manufacture of rigid polyurethane foam at Quimica Andina	108,480	0	No progress--Milestone to be set and agreed
CPR/REF/22/INV/208	IBRD	Conversion of CFC-12 medium open type refrigerating compressor at Wuhan New World Refrigeration Industrial Co. Ltd.	1,459,871	1,435,000	No progress--Milestone--testing to be completed after July 2003--SARS permitting pending Government agreement
CPR/REF/22/INV/214	IBRD	Conversion of CFC-12 medium open type refrigerating compressor at Chongqing Bingyang Refrigerating Machine Co.	1,805,370	1,609,311	No progress--Milestone--project completion by August 2003
IND/REF/22/INV/110	IBRD	Elimination of CFCs in the manufacture of commercial refrigeration equipment at Refrigeration Components and Accessories	125,370	47,994	No progress--Milestone--project completion by end July 2003 pending Government agreement.
IND/REF/22/INV/124	IBRD	Elimination of CFCs in the manufacture of commercial refrigeration equipment at Refrigerators and Home Appliances P. Ltd.	147,300	47,994	No progress--Milestone--project completion by end July 2003 pending Government agreement.
TUN/FOA/26/INV/33	IBRD	Phaseout of CFC-11 by conversion to liquid carbon dioxide technology in the manufacture of flexible polyurethane foam at Supermousse	529,490	422,037	No progress--Milestone to be set and agreed
IND/ARS/28/INV/221	UNDP	Phase out of CFC by substituting HAPs at Syncaps	161,518	100,774	No progress--Milestone--Local works completed by September 2003 Milestone pending Government agreement
IND/FOA/20/INV/101	UNDP	Elimination of CFCs in the manufacture of EPE foam products at Vora Cork Industries	264,500	209,569	No progress--Milestone--obtaining clearance to handle hydrocarbons by August 2003 pending Government agreement
MOR/FOA/23/INV/19	UNDP	Phase out of CFC in the manufacture of flexible foam (slabstock) at MOUSSE D'OR S.A.	280,350	255,057	No progress--Milestone to be set and agreed
PAN/FOA/22/INV/09	UNDP	Elimination of CFCs in the manufacture of extruded polystyrene foam sheet at Productos Moldeados America S.R. Ltda. (Plasticos Modernos)	339,296	125,970	No progress--Milestone to be set and agreed
URT/FOA/26/INV/11	UNDP	Pan Africa Enterprises. Phase-out of CFC-11 by conversion to MeCl in the manufacture of flexible polyurethane foam.	213,800	216,053	No progress--Milestone to be set and agreed

Code	Agency	Project Title	Net Approved Funds (US\$)	Funds Disbursed (US\$)	Milestones
VEN/FOA/28/INV/82	UNIDO	Phasing out CFC-12 at Fandec C.A. (EPSR Foam)	290,481	223,184	No progress--Milestone--completion of installations by September 2003

Projects where agencies and the Secretariat disagreed on assessment of some progress

13. The following projects were classified with some progress by the implementing agencies, however, the Secretariat assessed these projects with no progress reported since the last meeting:

Agency	Code	Project Title	Net Approved Funds (US\$)	Funds Disbursed (US\$)	Secretariat Assessment
IBRD	CHI/MUS/26/INV/37	Montreal Protocol implementation programme (Phase II, second tranche)	2,800,000	1,437,995	No Progress--Milestone to be set and agreed pending a report by Bank at 40th Meeting
UNDP	EGY/FOA/22/INV/64	Phaseout of the remaining ODS consumption in the foam sector (11 enterprises)	1,672,000	1,252,716	No progress--Milestone--stopping CFC use by December 2003 pending Government agreement
UNDP	MLW/FOA/26/INV/12	Phase-out of CFC-11 by conversion to Methylene Chloride in the manufacture of flexible foam slabstock at Robry	156,500	87,610	No progress--letter of possible cancellation
UNDP	MOR/FOA/23/INV/13	Phase out of CFC in the manufacture of flexible foam (slabstock) at SALIDOR S.A.	299,000	263,590	No progress--letter of possible 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	460,708	No progress--letter of possible cancellation
UNIDO	NIR/REF/26/INV/44	Replacement of refrigerant CFC-12 with HFC-134a and foam blowing agent CFC-11 with cyclopentane in the manufacture of domestic refrigeration appliances at Kolinton Technical Industries	674,348	566,778	No progress—Milestone to be set and agreed

14. The Secretariat assessed the latest tranche of the Chilean auction programme (CHI/MUS/26/INV/37) as having no progress because there was no report of any bids during the current auction that was opened in June 2002 and is to be closed by June 2003. There was no disbursement for this project in 2002 and the project had a remaining balance of almost US \$1.4 million as of 31 December 2002. The Bank indicated that it would be prepared to report on the auction at the 40th Meeting.

15. Despite the fact that all equipment has been installed for the remaining enterprise in the umbrella foam project in Egypt (EGY/FOA/22/INV/64), the remaining enterprise in the project, the Army company, continues to use CFCs and has a sufficient supply to continue using CFCs

for two years. UNDP indicated that the company had promised to discontinue the use of CFC by the end of 2003. This information was presented to the last meeting of the Monitoring, Evaluation and Finance Sub-Committee which decided that there had been no progress for the Army Company component since CFC was continuing to be used.

16. UNDP sent an expert in March 2003 to ascertain the viability of the plan, but the expert could not enter the Army compound, according to UNDP, due to proper permits not having been provided on time. UNDP is presently in the process of working with Egyptian Environmental Affairs Agency to ascertain whether CFCs stocks have completely been used up. UNDP indicated that it felt that the phase out by the Army Company was feasible before December 2003. Since there is no progress to two consecutive meetings, a milestone should be set and agreed by the Government. The proposed milestone pending Government agreement is stopping the use of CFCs at the Army Company by December 2003.

17. UNDP reported some progress on the Robry foam project in Malawi (MLW/FOA/26/INV/12) at the 39th Meeting and the Committee decided to continue to monitor the projects. UNDP reported some progress on this project again but indicated that the equipment has not yet been installed by the supplier and custom clearance was delayed. Since the next project milestone was not achieved, i.e., installation of equipment, and there are additional delays due to the customs clearance, the Secretariat's assessment was no progress. If no progress is agreed by the Committee, then a letter of possible cancellation would be sent for this project.

18. There are two LCD foam projects in Morocco (MOR/FOA/23/INV/13 and 22) that have been on the list of implementation delays before and have been subsequently removed due to achieving some milestone. Another LCD foam project in Morocco (MOR/FOA/23/INV/10) was cancelled over the Government's objection since the enterprise would not convert until its competitors had converted. The issue with all three projects appears to be the choice of technology that was proposed by UNDP. The LCD foam technology does not produce the same firmness of foam as the previous technology. The market demand for foam in Morocco is for a firmer foam and it therefore appears that the enterprises are reluctant to convert due to the possibility of not being able to sell the product. In UNDP's current report, it indicates that a two-year phase-in period is contemplated for these projects. Since there does not appear to be any progress in these projects, the normal procedure is to send a letter of possible cancellation. However, this has been done before for these projects and the reason for the delay appears to be the technology choice. In line with Decision 39/52 that requested the Secretariat to make a small number of on-site visits to companies that were making successful use of LCD technology in Article 5 countries and submit relevant information to the 41st Meeting, the Committee may wish to consider requesting an additional visit to these companies in Morocco.

19. Concerning the Kolinton refrigeration project in Nigeria (NIR/REF/26/INV/44), UNIDO indicated at the 39th Meeting that final start-up would occur in March 2003, but in a response to a query from the Secretariat, UNIDO indicated that start-up did not occur in March. Therefore, since this milestone was not achieved, the Secretariat's assessment is that there was no progress. Under the procedures for project cancellation, a letter of possible cancellation would be sent.

Section II: Projects proposed for possible cancellation at the 40th Meeting

20. Projects are cancelled either through mutual agreement between the implementing agencies and the country concerned except in cases of project preparation where the agency cancels the activity or through the procedures for project cancellation that lead to automatic cancellation of projects if milestones and deadlines are not met.

Cancellations through mutual agreement

21. Implementing agencies have indicated that 3 projects listed in Table 3 should be cancelled due to the mutual agreement of the country and implementing agency concerned. The phase-out recorded for these projects is calculated in accordance with Decision 39/13, para. b.

Table 3

PROJECTS PROPOSED FOR CANCELLATION BY MUTUAL AGREEMENT AND PROJECT PREPARATION CANCELLATIONS

Code	Agency	Project Title	Net Funds Approved (US\$)	Funds Disbursed (US\$)	ODP Phase-Out Recorded	Comments
CPR/FOA/29/INV/323	IBRD	Conversion of polyurethane slabstock manufacture from CFC-11 to liquid carbon dioxide technology in Handan Huisheng Foam Plant	522,207	0	0	No progress--Cancelled by mutual agreement due to bankruptcy.
IRA/FOA/32/INV/75	UNDP	Conversion from CFC-11 to HCFC-141b technology in the manufacture of rigid polyurethane foam at Nobough Industrial Co.	248,736	179,055	32.0	Cancelled by mutual agreement with the Government.
VEN/FOA/31/INV/83	UNIDO	Phasing out CFC-11 with HCFC-141b at Friobox in the production of rigid P.U. panels	128,387	8,815	1.1	Cancellation of this project was agreed with the Government.
ALG/ARS/36/PRP/52	UNIDO	Preparation of 8 investment projects in the aerosol sector	25,000	0	0.0	Project preparation cancelled by UNIDO.
BRA/SOL/33/PRP/205	UNIDO	Project preparation for 4 projects in the solvents (CTC) sector	30,000	3,183	0.0	Project preparation cancelled by UNIDO.
IRA/FUM/33/PRP/78	UNIDO	Project preparation in soil fumigation	25,000	5,147	0.0	Project preparation cancelled by UNIDO.
LEB/REF/36/PRP/47	UNIDO	Preparation of 2 umbrella investment projects in the commercial refrigeration sector	15,000	0	0.0	Project preparation cancelled by UNIDO.
LIB/REF/33/PRP/11	UNIDO	Project preparation in the commercial refrigeration sector	15,000	0	0.0	Project preparation cancelled by UNIDO.
MEX/SOL/36/PRP/108	UNIDO	Preparation of a sectoral phase-out plan in the solvents sector	70,000	0	0.0	Project preparation cancelled by UNIDO.
SYR/PHA/36/PRP/85	UNIDO	Preparation of a national ODS phase-out plan	60,000	3,150	0.0	Project preparation cancelled by UNIDO.
SYR/REF/36/PRP/83	UNIDO	Preparation of an investment in the domestic refrigeration sector	15,000	0	0.0	Project preparation cancelled by UNIDO.
YEM/REF/36/PRP/14	UNIDO	Preparation of a terminal investment project in commercial refrigeration sector	10,000	7,639	0.0	Project preparation cancelled by UNIDO.

22. Table 4 includes 2 projects that may be cancelled due to mutual agreement pending the confirmation of the agreement of the Government concerned. The Secretariat will seek this confirmation in advance of the 40th Meeting.

Table 4

**PROJECTS PROPOSED FOR CANCELLATION BY MUTUAL AGREEMENT
PENDING GOVERNMENT CONFIRMATION**

Code	Agency	Project Title	Net Funds Approved (US\$)	Funds Disbursed (US\$)	ODP Phase-Out Recorded	Comments
ARG/REF/19/INV/43	IBRD	Elimination of CFC in the manufacturing plant of domestic refrigerators at Adzen S.A. C.I.F.	356,970	0	0	No progress--Cancelled by mutual agreement pending Government agreement.
IND/REF/19/INV/92	IBRD	Elimination of CFCs in the manufacture of commercial refrigeration equipment at Chandra Frig Co. P., Ltd.	130,984	66,787	9.4	No progress--Cancelled by mutual agreement pending Government approval

Projects automatically cancelled pursuant to Decision 38/8(a)

23. No projects were cancelled due to the procedures for automatic cancellation.

Section III: Impact of cancelled and delayed projects on compliance

24. This section addresses the impact on compliance of projects proposed for cancellation as well as that of delayed projects.

Projects proposed for cancellation and compliance

25. None of the projects proposed for cancellation is critical to compliance.

Projects with implementation delays and compliance

26. During the compliance period, project implementation delays may have an impact on a country's ability to comply with the control measures of the Montreal Protocol. In the past, the Executive Committee has only considered projects with implementation delays after the project was delayed by one year. A delay of one year may result in continued non-compliance if the enterprise continues to consume ODS pending project completion. At its XIVth Meeting, the Parties classified 14 Article 5 countries in non-compliance. Of those countries, only Nigeria has projects classified with implementation delays. It should be noted however that RMPs and institutional strengthening projects are not subject to the procedures for cancellation and therefore are not monitored as projects with implementation delays. Some of these countries may have delayed RMPs or inactive national ozone units but are not addressed in this document.

Nigeria

27. The Meeting of the Parties found Nigeria to be in non-compliance (Decision XIV/30). All but two of the 12 Nigerian projects classified as projects with implementation delays experienced some progress since the 39th Meeting. Concerning the Confidence foam project in

Nigeria (NIR/FOA/26/INV/35), no progress has been reported to the last two meetings as the company has not made the final payment for its counterpart contributions to the project, but the equipment has been delivered. The project will result in the phase-out of 27 ODP tonnes. In the case of the refrigeration project in Nigeria (NIR/REF/26/INV/44), the final start-up has been delayed and a letter of possible cancellation is being recommended. The project would have resulted in the phase-out of 39.5 ODP tonnes.

RECOMMENDATIONS

The Sub-Committee on Monitoring, Evaluation, and Finance may wish to consider recommending to the Executive Committee to:

1. Note the document on project implementation delays (UNEP/OzL.Pro/ExCom/40/23).
2. Note with appreciation the reports submitted to the Secretariat on projects with implementation delays provided by Belgium, Germany and the four implementing agencies.
3. Note 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 as required.
4. Assign the assessments of no progress for the following projects, and note that the Secretariat would take the established actions:
 - (a) Auction programme in Chile (CHI/MUS/26/INV/37) with a milestone to be provided by the World Bank at or before the 40th Meeting.
 - (b) Army Component of the 11 enterprise foam project in Egypt (EGY/FOA/22/INV/64) with a milestone of stopping CFC use by December 2003 to be confirmed by UNDP and Egypt at or before the 40th Meeting.
 - (c) Salidor foam project in Morocco (MOR/FOA/23/INV/13) with a letter of possible cancellation to be sent by the Secretariat.
 - (d) Bonbino foam project in Morocco (MOR/FOA/25/INV/22) with a letter of possible cancellation to be sent by the Secretariat.
 - (e) Kolinton refrigeration project in Nigeria (NIR/REF/26/INV/44) with a milestone to be provide by UNIDO at or before the 40th Meeting.
5. Request the Secretariat to visit the LCD foam projects in Morocco as part of its visits to LCD projects mandated by Decision 39/52 and report on its findings to the 41st Meeting.
6. Cancel the projects through mutual agreement:

- (a) The Handan Huisheng foam project in China (CPR/FOA/29/INV/323) implemented by the World Bank, noting that no funds were disbursed of the US \$522,207 (plus US \$67,443 support cost) approved for the project and without any ODP phased out.
 - (b) The Nobough foam project in Iran (IRA/FOA/32/INV/75) implemented by UNDP, noting that US \$179,055 (plus US \$23,277 support cost) was disbursed of the US \$248,736 (plus US \$32,336 support cost) approved for this project and to record 32 ODP tonnes as having been phased out.
 - (c) The Friobox foam project in Venezuela (VEN/FOA/31/INV/83) implemented by UNIDO, noting that US \$8,815 (plus US \$1,146 support cost) was disbursed of the US \$128,387 (plus US \$16,690 support cost) approved support cost approved for this projects and to record 1.1 ODP tonnes as having been phased out.
7. Cancel the project preparation activities implemented by UNIDO:
- (a) For aerosol projects in Algeria (ALG/ARS/36/PRP/52), noting that no funds were disbursed.
 - (b) For CTC solvent sector projects in Brazil (BRA/SOL/33/PRP/205), noting that US \$3,183 (plus US \$414 support cost) was disbursed of the US \$30,000 (plus US \$3,900 support cost) approved for this activity.
 - (c) For soil fumigation projects in Iran (IRA/FUM/33/PRP/78), noting that US \$5,147 (plus US \$669 support cost) was disbursed of the US \$25,000 (plus US \$3,250 support cost) approved for this activity.
 - (d) For commercial refrigeration projects in Lebanon (LEB/REF/36/PRP/47), noting that no funds were disbursed.
 - (e) For commercial refrigeration projects in Libya (LIB/REF/33/PRP/11), noting that no funds were disbursed.
 - (f) For solvent sector projects in Mexico (MEX/SOL/36/PRP/108), noting that no funds were disbursed.
 - (g) For a national ODS phase-out plan in Syria (SYR/PHA/36/PRP/85), noting that US \$3,150 (plus US \$410 support cost) of the US \$60,000 (plus US \$7,800 support cost) was disbursed.
 - (h) For domestic refrigeration projects in Syria (SYR/REF/36/PRP/83), noting that no funds were disbursed.
 - (i) For a terminal commercial refrigeration project in Yemen (YEM/REF/36/PRP/14), noting that US \$7,639 (plus US \$993 support cost) was disbursed of the US \$10,000 (plus US \$1,300 support cost) approved for this activity.

8. Cancel the following two projects through mutual agreement between the World Bank and the Governments concerned (to be confirmed):
- (a) Adzen refrigeration project in Argentina (ARG/REF/19/INV/43), noting that no funds had been disbursed of the US \$356,970 (plus US \$46,406 support cost) approved for the project and no ODP was phased out.
 - (b) Chandra refrigeration project in India (IND/REF/19/INV/92), noting that US \$66,787 (plus US \$8,682) was disbursed of the US \$130,984 (US \$17,028 support cost) approved for this projects and 9.4 ODP tonnes were phased out.
