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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-first Meeting
Geneva, 5-7 July 2000

IMPLEMENTATION DELAYS: FOLLOW-UP TO DECISIONS 30/10 AND 30/11

1. At its 30th Meeting, the Executive Committee considered the cancellation of projects for which letters of possible cancellation were sent. In noting that progress had been reported, the Committee decided that the following projects should not be cancelled but should continue to be monitored closely:

- Recovery and recycling of refrigerant in the Congo (PRC/REF/20/TAS/04) (UNDP);
- Suavestar: flexible foam slabstock in Argentina (ARG/FOA/20/INV/48) (UNDP);
- Nutal: commercial refrigeration investment in Venezuela (VEN/REF/17/INV/40) (UNDP);
- Andina: domestic refrigeration investment in Peru (PER/REF/15/INV/04) (UNDP);
- Institutional strengthening for the phase-out of ODS in Mozambique (MOZ/SEV/15/INS/03) (UNEP);
- Coldair, Modern Refrigerator and Metal Furniture Co., Sheet Metal Industries in Sudan (SUD/REF/19/INV/06) (UNIDO);
- Adzen S.A. C.I.F. in Argentina (ARG/REF/19/INV/43) (World Bank);
- Elimination of CFCs in domestic refrigerator production plants at Aurora in Argentina (ARG/REF/18/INV/35) (World Bank);
- Piragua S.A., and Piragua San Luis in Argentina (ARG/REF/18/INV/36) (World Bank).
- P.T. Foamindo Industri Uretan in Indonesia (IDS/FOA/11/INV/12) (World Bank);
- P.T. Erlangga Trimanunggal Kusumah in Indonesia (IDS/FOA/13/INV/16) (World Bank);
- Positive Foam Industry in Indonesia (IDS/FOA/15/INV/19) (World Bank); and
- Real Value Appliances Ltd. in India (IND/HAL/18/INV/60) (World Bank). (Decision 30/10)

2. Also after noting minimal progress in the project Musimassejahtera Abadi (IDS/FOA/15/INV/30) (World Bank), the Executive Committee decided to request the World Bank to ascertain if there was likely to be any progress and to report back for a decision at the Thirty-first Meeting of the Executive Committee. (Decision 30/11)

3. This document contains information on the projects that the Committee decided at its 30th Meeting to closely monitor per decisions 30/10 and 30/11 along with an assessment of progress since the last report. It also contains a report on the demurrage charge issue in Kenya and a request from the World Bank concerning ongoing project implementation delays in Pakistan.

Projects to be closely monitored

Recovery and recycling of refrigerant project in Congo, Brazzaville (PRC/REF/20/TAS/04) (UNDP);

4. Training workshop activities were scheduled for February 2000 in Brazzaville and Pointe Noire. Equipment distribution has started, but several workshops previously identified to receive

equipment, disappeared due to local unrest. The Government is trying to identify new beneficiaries. (Minimal progress: request a report at the meeting.)

Suavestar: flexible foam slabstock project in Argentina (ARG/FOA/20/INV/48) (UNDP);

5. The completion of this project depends on the solution for the PIERO plant, because both enterprises have the same owner. UNDP reported that a decision on the site for this project was still pending. A planned visit by UNDP in May 1999 was postponed because the Ozone Unit could not participate. Another visit, planned for November-December 1999 was delayed due to the presidential election and had to be postponed to February 2000. UNDP also indicated that the equipment was delivered in January 2000 and the installation began in March (Some progress).

Nutal: commercial refrigeration investment project in Venezuela (VEN/REF/17/INV/40) (UNDP);

6. UNDP reported that negotiations to sell the company were unsuccessful. The Owner recuperated from surgery and the company resumed operations, albeit at a very slow rate of production. Another new completion date was set, this time for December 2000. UNDP further indicated that the company is ready to convert, but experienced difficulties with the foam equipment in early 2000. UNDP/UNOPS has discussed with the company the reimbursement of incremental operating costs to allow the company to pay for the repair of the foam equipment. A final decision will be made after a review of the quotations. However, in addition to the foam equipment problem, the company has a large inventory of CFC compressors. UNDP indicated that the company has agreed to try to sell part of the inventory. (No progress—request a report at the meeting on why all of the CFC equipment is not sold.)

Andina: domestic refrigeration investment project in Peru (PER/REF/15/INV/04) (UNDP);

7. The company is being restructured financially and transferring its industrial facilities to a new location. Both the Government and the company requested an additional grace period to enable the company to re-start operations and complete its conversion. The Government found that the enterprise has not restarted production. UNDP indicated that the enterprise guaranteed the Government that it would (No progress—request a report at the meeting.)

Institutional strengthening for the phase-out of ODS in Mozambique (MOZ/SEV/15/INS/03) (UNEP);

8. A mission was organised for the Zimbabwe NOU in the end of March 2000 to discuss how to re-initiate the NOU in Mozambique. Activities have started and the country is now active having attended a recent meeting of the African network. (Some progress.)

Coldair, Modern Refrigerator & Metal Furniture Co., Sheet Metal Industries in Sudan (SUD/REF/19/INV/06) (UNIDO);

9. UNIDO reports that the refrigeration equipment for Sheet Metal Industries was ordered and the delivery of equipment is planned for January - February 2000. Coldair has already converted. (Some progress.)

Adzen S.A. C.I.F. in Argentina (ARG/REF/19/INV/43) (World Bank);

10. Despite its financial difficulties, Adzen has successfully established a payment plan (concurso) with all debtors and sub-grant agreement is expected to be signed in 2Q 2000. (Some progress.)

Elimination of CFCs in domestic refrigerator production plants at Aurora in Argentina (ARG/REF/18/INV/35) (World Bank);

11. Although the company has been declared in bankruptcy it is still producing, as the workers cooperative is operating the plant. The cooperative is trying to buy or lease the plant, but it has not made any progress in its attempts as of 24 May. The Bank and the Ozone Unit have given the company until June to provide evidence of the viability of the project or the Bank will recommend the project's cancellation. (No progress--Request a report at the meeting.)

Piragua S.A., and Piragua San Luis in Argentina (ARG/REF/18/INV/36) (World Bank).

12. The Bank indicated the company has established a payment plan to cover its debt, but the company's viability has not yet been determined. The Bank and the Ozone Unit have given the company until June to provide evidence of the viability of the project or the Bank will recommend the project's cancellation. (No progress--Request a report at the meeting.)

P.T. Foamindo Industri Uretan in Indonesia (IDS/FOA/11/INV/12) (World Bank);

P.T. Erlangga Trimanunggal Kusumah in Indonesia (IDS/FOA/13/INV/16) (World Bank);

Positive Foam Industry in Indonesia (IDS/FOA/15/INV/19) (World Bank);

13. For the three projects mentioned above, after a letter was sent by the Secretariat on behalf of the Executive Committee to the supplier (Beamech), the latest information was that Fomindo, Erlangga and Positive were negotiating with Beamech on a plan to send an engineer of Beamech to commission the machines in March 2000. (Some progress.)

Real Value Appliances Ltd. in India (IND/HAL/18/INV/60) (World Bank);

14. The Bank reports that some progress was made on the bankruptcy issue as a draft restructuring agreement and a certificate of the financial health of the company are being collected. The Bank indicated that it would provide an additional report to the 31st Meeting of the Executive Committee. (Some progress—Request a report at the meeting.)

Foam project at Musimassejahtera Abadi in Indonesia (IDS/FOA/15/INV/30) (World Bank)

15. The World Bank received verbal confirmation on 4 May 2000 from the Government of Indonesia that no progress is likely to occur and that the project should be cancelled. The Bank is awaiting a written confirmation of the Government of Indonesia's decision. (No progress-- Consider cancellation at the meeting following a report from the Bank.)

Kenya demurrage charge issue

16. UNIDO informed the Government of Kenya and the Fund Secretariat prior to the 30th Meeting of the Executive Committee that equipment purchased with resources of the Multilateral Fund was being held at the Port of Mombasa. This was initially thought to be a result of confusion over the tax and duties exemption granted by the Government for the equipment. Demurrage charges were incurred pending the resolution of the exemption. The equipment has not been retrieved because, to obtain the equipment, the demurrage charges must be paid.

17. The Fund Secretariat informed the Executive Committee of this matter and the Committee decided at its 30th Meeting to withhold future funding for projects in Kenya pending resolution of the UNIDO demurrage charge issue (Decision 30/12). The Committee also decided to defer the project preparation approved for Kenya until such time as the impediment to the implementation of already approved projects had been removed (Decisions 30/31 and 30/44).

18. On 22 March 2000, UNIDO informed the Secretariat that the consignee, Kenya Railways, has requested the Government of Kenya to revalidate the exemption granted by the Government. The Government of Kenya requested the Fund Secretariat to provide the details

related to the demurrage issue on 7 April 2000. The Secretariat provided information on the issue to the Government of Kenya on 11 April 2000 and requested the Government to inform the Secretariat as to the resolution of the issue to enable the release of funding for projects in Kenya.

19. The Government indicated in a fax of 26 April 2000 to the Secretariat that once duty and VAT exemptions were granted, the consignee should clear the consignment from the port of entry as quickly as possible to avoid demurrage charges accumulating. The Government indicated that this was not the case for equipment imported for Aesthetics and Mirage Company Ltd. The letter also indicated that the Kenya Ozone Office was not informed of this delay until nine months later. Moreover, the Government indicated that it could only request but not dictate that the demurrage charges should be waived.

20. UNIDO was requested on 28 April 2000 to provide comments on how to move the Kenyan projects forward in the light of the Government's fax of 26 April. UNIDO responded that it had provided information to the Government of Kenya in advance of the shipment of the equipment and at the time of the arrival of the equipment. It also indicated that it had provided regular reminders to Kenya about the customs clearance problems.

Additional request from the World Bank on ongoing implementation delays in Pakistan

21. The World Bank is requesting guidance and assistance from the Executive Committee on four projects in Pakistan. According to the Bank, the following projects have shown little or no progress and consistently poor response from the enterprises on requested actions:

- PAK/FOA/29/INV/21- Singer;
- PAK/FOA/29/INV/26 – Dawlance;
- PAK/FOA/29/INV/27 – United; and
- PAK/FOA/29/INV/31- Refrigerators Manufacturing Company

22. According to the Bank, United and Dawlance have indicated that moving forward with implementation would create a negative cash flow of US\$400,000 for the companies. Also, Refrigerators Manufacturing Company has yet to resolve a "change of ownership" issue that has persisted for over one and a half years. The Bank indicated that Singer has not kept appointments with Bank missions in November 1999, December 1999, February 2000 or April 2000 (The last time Singer kept an appointment with the Bank was June 1999), nor has it responded to correspondence sent to it by the Bank's financial intermediary. In addition, after consultations with the Bank's international foam expert were completed in June 1999, Singer was requested to commence bidding. The Bank stated that it appears that Singer has yet to commence bidding almost one year later.

23. The Bank is requesting the Executive Committee's guidance on these projects and would request that a letter be sent from the Secretariat on behalf of the Executive Committee to the Government of Pakistan indicating the possible cancellation of the projects due to lack of movement and commitment on the part of the enterprises listed above if no progress is reported

to the 32nd Meeting on these projects. (The Secretariat concurs with the requests of the World Bank).

RECOMMENDATION

1. Note that progress has been made on the following projects that the Committee will continue to monitor closely:

- Recovery and recycling of refrigerant project in Congo, Brazzaville (PRC/REF/20/TAS/04) (UNDP);
- Suavestar: flexible foam slabstock project in Argentina (ARG/FOA/20/INV/48) (UNDP);
- Coldair, Modern Refrigerator & Metal Furniture Co., Sheet Metal Industries in Sudan (SUD/REF/19/INV/06) (UNIDO);
- Adzen S.A. C.I.F. in Argentina (ARG/REF/19/INV/43) (World Bank);
- P.T. Foamindo Industri Uretan in Indonesia (IDS/FOA/11/INV/12) (World Bank);
- P.T. Erlangga Trimanunggal Kusumah in Indonesia (IDS/FOA/13/INV/16) (World Bank); and
- Positive Foam Industry in Indonesia (IDS/FOA/15/INV/19) (World Bank).

2. Request reports on the following projects at the meeting and consider whether or not these projects should be considered for cancellation at the 32nd Meeting following the sending of a letter to the country and implementing agency notifying them of the possibility of cancellation of the projects if no progress is reported to the 32nd Meeting:

- Nutal: commercial refrigeration investment project in Venezuela (VEN/REF/17/INV/40) (UNDP);
- Elimination of CFCs in domestic refrigerator production plants at Aurora in Argentina (ARG/REF/18/INV/35) (World Bank);
- Piragua S.A., and Piragua San Luis in Argentina (ARG/REF/18/INV/36) (World Bank); and
- Real Value Appliances Ltd. in India (IND/HAL/18/INV/60) (World Bank).
- Singer foam project in Pakistan (PAK/FOA/29/INV/21) (World Bank)
- Dawlance foam project in Pakistan (PAK/FOA/29/INV/26) (World Bank)
- United foam project in Pakistan (PAK/FOA/29/INV/27) (World Bank)
- Foam project at Refrigerators Manufacturing Company in Pakistan (PAK/FOA/29/INV/31) (World Bank)

3. Consider canceling the following project after receiving a report from the World Bank:

- Foam project at Musimassejahtera Abadi in Indonesia (IDS/FOA/15/INV/30) (World Bank)

4. Consider the report from UNIDO about the Kenyan demurrage charge issue.
