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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL

Twenty-fourth Meeting
Montreal, 25-27 March 1998

PROJECT IMPLEMENTATION DELAYS

INTRODUCTION

1. Decision 23/4 requested the Sub-Committee on Monitoring, Evaluation and Finance "to maintain a watching brief on project implementation delays". This document summarizes the Executive Committee's previous decisions and provides information contained in the implementing agencies' 1998 business plans on project implementation delays.

2. At its Twenty-second Meeting, the Executive Committee defined slow disbursement and delays in project implementation as projects where no disbursement had occurred 18 months after the date of approval of a project or projects that had not been completed 12 months after the proposed completion date in the progress report of the agencies (decision 22/61).

3. Decision 22/61 requested that a full explanation of the reason for the delay should be submitted to the next meeting of the Executive Committee. The World Bank provided an explanation for delayed projects in its portfolio to the Twenty-third Meeting. As of the last progress report, there were no projects under implementation by the implementing agencies that had not disbursed funds 18 months after their approval.

4. The next progress report is due at the Twenty-fifth Meeting of the Committee. An assessment will be made at that time of projects that are experiencing delays according to the Committee's definitions.

5. Implementation delays were reported in the agencies business plans submitted to this Meeting of the Executive Committee concerning six main areas: taxation, cost-sharing/counterpart contributions, counterpart cooperation, the financial crisis in Southeast Asia, refrigerant management plans, pending guidelines from the Executive Committee, and administrative/logistical/political problems.

Taxation

6. At its Tenth Meeting, the Executive Committee decided that the Multilateral Fund would not finance such costs as taxes, duties or other such transfer payments. This decision was re-iterated at the Committee's Twenty-second Meeting when the Committee urged the implementing agencies and the Secretariat to resolve the problem of levies, taxes through exchanges of letters (decision 22/5).

7. In its business plan, UNIDO notes that it has experienced difficulties with customs clearances in Indonesia (UNIDO project value: US $1.3 million) and Kenya (UNIDO project value: US $628,479), and had received signals about similar problems in Nigeria (UNIDO project value: US $2.6 million). UNIDO has been in contact with the respective governments.

8. In its business plan, the World Bank notes that implementation delays have occurred in Pakistan, Argentina, and Brazil due to the imposition of import duties on equipment purchased by the Fund. The Bank indicated that an agreement had been reached with the Government of Pakistan (Bank's project value: US $2.1 million), however, the previously reported agreement with Brazil (Bank's project value: US $11.1 million) has been negated due to broader trade policy decisions. The Bank also notes that implementation has proceeded in both Argentina (Bank's project value: US $ 22.6 million) and Brazil as some enterprises have chosen to cover the duties with their own resources. The Bank is continuing to work with these governments for a long-term, comprehensive solution.

Cost-sharing/counterpart contributions

9. Difficulties in obtaining counterpart contributions may occur if an implementing agency does not receive an agreement from the beneficiary enterprise to fund the ineligible cost items of project proposals before the project is approved by the Executive Committee. The Executive Committee addressed this issue at its Twenty-second Meeting. It requested the implementing agencies to provide a clear indication that the enterprise concerned had given a commitment to counterpart funding (decision 22/63). The Secretariat has indicated in its project summary sheets whether or not a commitment to counterpart funding was provided in project proposals. Whilst UNIDO reported in its business plan ongoing difficulties in obtaining counterpart funding, the projects concerned were approved prior to the Committee's decision on the issue.

Counterpart co-operation

10. Several implementing agencies have reported in previous progress reports that they have had difficulties in obtaining counterpart co-operation in certain projects. UNIDO reported in its business plan that counterparts in the following countries have demonstrated a very slow reaction as far as their co-operation is concerned: Iran, Mozambique, Pakistan, Romania, and Tanzania. The value of UNIDO's projects in these countries is US $2.3 million.

11. UNEP mentioned that delays in country programme preparation in Brunei (approved in December 1994) and the Philippines Information Dissemination project (approved in 1993 for the World Bank and transferred to UNEP in November 1993) have occurred due to slow action by the focal points. However, UNEP indicates that the Philippine project is expected to be completed shortly. TEAP has advised UNEP to wait for 1998 data for the update of its technical brochures. The other implementing agencies have not provided their experience in recovery and recycling projects for UNEP's report on a Code of Good Practices in Refrigeration (approved in March 1995). UNEP attributes changes in personnel to have caused delays in the completion of Antigua and Barbuda's country programme (approved in November 1993) and the Training Programme on Good Practices in Refrigeration in Colombia (approved in July 1995).

Financial crisis in South East Asia

12. The World Bank mentioned in its business plan that its total disbursement in 1997 may not reach its target largely due to financial crisis and economic slowdown in Southeast Asia as 30 per cent of the approved projects in its portfolio are in Indonesia, Philippines, Malaysia, and Thailand. The Bank did not identify specific projects; however, 76 of the Bank's ongoing projects in these countries were approved from 1992 through 1995. Overall, the Bank has 114 ongoing projects in these countries valued at US $50.6 million that are expected to phase out 7,467 ODP tonnes.

13. The Bank's method of implementing projects generally involves enterprises obtaining lines of credit for the purchase of equipment. The Bank, through its financial intermediaries, reimburses enterprises upon the presentation of receipts for equipment and services rendered. Many enterprises are having difficulty in obtaining lines of grants at this time which will result in implementation delays until such time as the economies in these countries stabilize and normal business operations presume.

Refrigerant Management Plans (RMPs)

14. UNDP mentioned that potential recovery/recycling programmes in Bangladesh, Botswana, Congo, Dominican Republic, Gabon, and Niger could not be submitted in 1997 due to delays on the guidelines and the extended period necessary for their completion. UNEP and UNIDO are proposing RMP development projects to this meeting. UNDP also pointed to the Executive Committee's condition that national measures are in place before project implementation as another cause for delays.

Pending guidelines from the Executive Committee

15. UNEP's Inventory of Environmentally Sound Technologies (approved in May 1996) is being delayed pending policy decisions by the Executive Committee which UNEP did not specify. UNEP's Training Module on Management of ODS Phase out for SMEs (approved in May 1996) is also pending a decision on SMEs by the Executive Committee.

Administrative/logistical/political problems

16. Delays in country programme preparation have been attributed by UNEP to severe communications problems in Kiribati, Vanuatu and Solomon Islands. UNEP has allocated most of the US $200,000 approved by the Committee at its Twenty-second Meeting for new country programme/refrigerant management plans (decision 22/24) to the development of RMPs in the South Pacific.

17. UNEP noted that consultant difficulties have led to delays in the completion of the Methyl Bromide Video (approved in May 1996), Halon Case Study Logbook (approved in March 1994), and Halon Self-Help Guide (approved in March 1995). Software modifications have taken longer than expected in the Update of the OAIC diskette (two planned updates in 1997). UNEP noted administrative (contractual) problems are attributed to the delay in the Methyl Bromide Technical Brochure. It also mentioned the political crises in Myanmar (approved in March 1994) and the Democratic Republic of Congo (approved in July 1995) as having caused delays in their country programme preparation.

RECOMMENDATION

1. The Sub-Committee on Monitoring, Evaluation and Finance may wish to invite the implementing agencies to provide further and/or specific information about implementation delays at its meeting pending submission of progress reports to the Twenty-fifth Meeting of the Executive Committee.