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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-ninth Meeting
Montreal, 2-4 April 2003

PROJECT BALANCES

Introduction

1. This document is prepared in compliance with Decisions 28/7 and 31/2(a) through which the Executive Committee requested reports on projects completed 12 months previously with remaining balances from funds approved for projects and other activities. It provides a summary of the submissions of the implementing agencies on projects with completed balances, the return of funds from cancelled projects, and other adjustments. The submissions of the implementing agencies are available upon request.

2. The document also addresses Decisions 35/13(k) and 37/7(e) concerning the return of support costs from projects with savings and cancelled projects, and Decision 38/7(b) concerning the reassessment of the status of completed projects with balances as ongoing and balances from projects completed two years previously.

Funds being returned to the 39th Meeting

3. The implementing agencies have indicated that they will be returning a total of US \$4,492,374 to the 39th Meeting. This sum arises from completed projects with balances, un-obligated funds from cancelled projects, and other adjustments.

4. Table 1 indicates the level of funds being returned by agency.

Table 1

FUNDS RETURNED TO THE 39TH MEETING (US\$)

Agency	Funds from Completed Projects	Funds from Cancelled Projects	Adjustments	Total Funds to be Returned to the 39 th Meeting
UNDP	1,088,761	1,585,299	(11,303)	2,662,757
UNEP	0	0	0	0
UNIDO	265,921	442,376	0	708,297
World Bank	523,090	1,057,626	(459,396)	1,121,320
TOTAL	1,877,772	3,085,301	(470,699)	4,492,374

5. UNDP is requesting reimbursement of US \$11,303 that was returned at the 36th Meeting for a methyl bromide project preparation in Sri Lanka (SRL/FUM/25/PRP/12).

6. The World Bank requested the reimbursement of US \$459,396 for a refrigeration project in Argentina (ARG/REF/15/INV/16) since it returned these funds twice; once per the 2001 progress report and once per the balances report at the 37th Meeting of the Executive Committee.

Projects with Balances by the Year the Project was completed

7. Table 2 indicates the number of projects with balances that are still being held by the implementing agencies, and the years that they were completed.

Table 2

BALANCES HELD BY YEAR OF PROJECT COMPLETION

Year Completed	Number of Projects and Amount of Balances by Agency									
	UNDP		UNEP		UNIDO		World Bank		TOTAL	
	Number	US \$	Number	US \$	Number	US \$	Number	US \$	Number	US \$
1995	1	434	0	0	0	0	0	0	1	434
1996	3	25,921	0	0	0	0	0	0	3	25,921
1997	1	63	0	0	0	0	0	0	1	63
1998	6	52,745	0	0	4	1,048,844	0	0	10	1,101,589
1999	20	450,772	0	0	3	460,022	3	240,323	26	1,151,117
2000	48	591,680	0	0	2	161,956	3	348,297	53	1,101,933
Projects completed over 2 years	79	1,121,615	0	0	9	1,670,822	6	588,620	94	3,381,057
2001	155	2,764,276	0	0	20	912,291	8	3,779,512	183	7,456,079
TOTAL	234	3,885,891	0	0	29	2,583,113	14	4,368,132	277	10,837,136

* Projects with balances of a few dollars (up to 5) were not included.

8. Table 2 shows that implementing agencies had balances totalling US \$10,837,136 for projects completed 12 months previously. There were 94 projects with balances from projects completed over 2 years previously totalling US \$3,381,057. The amount of balances for projects completed 2 year previously is US \$958,162 higher than the amount reported as being held for these projects to the 38th Meeting (US \$2,422,895 for 47 projects).

Reassessment of the status of completed projects with balances

9. At its 38th Meeting, the Executive Committee requested the implementing agencies to reassess the status of their completed projects with balances and to re-classify projects as ongoing if Decision 28/2 had not been fully complied with and reconsider the matter if balances from projects completed two years previously did not continue to be reduced (Decision 38/7(b)). None of the implementing agencies requested any changes in the status of completed projects except the World Bank who indicated that JOR/FOA/23/INV/37 was ongoing pending a mission to Jordan. UNDP indicated that it will revisit the issue when finalising its 2002 progress report.

10. At its 36th, and 37th, and 38th Meetings, the Executive Committee considered proposals to address the fact that balances were being held longer than 12 months after project completion as required by Decision 28/7(a). Since the balances held for projects completed two years earlier had declined from the 37th to the 38th Meeting, the Committee deferred consideration of measures to address such balances. However, the level of balances from such projects increased by almost 40 per cent over the amount held by agencies at the 38th Meeting.

11. The balances report to the 38th Meeting (UNEP/OzL.Pro/ExCom/38/10) included the following three proposals:

- (a) Withholding the balances from projects completed 24 months previously from new agency support cost approvals;
- (b) Authorizing the Secretariat to conduct random audits of projects with balances held more than 12 months previously and report back to the Executive Committee;
- (c) Withholding 10 per cent of agency support costs from new project approvals until financially completed project completion reports are submitted and projects balances are returned.

12. The document also suggested that following a reassessment of the status of completion of some of the projects by the agencies, if the balances from such projects increased, the Executive Committee might wish to include clauses in all new project approvals requiring that 10 per cent of support costs are withheld in the name of the implementing agencies until the project balance is returned.

Obligated and Un-obligated Balances

13. The amounts of balances classified as obligated and un-obligated are as follows for the four implementing agencies:

Table 3

OBLIGATED AND UN-OBLIGATED BALANCES BY AGENCY

Agency	Obligated Balances	Un-obligated Balances
UNDP*	1,534,591	2,834,445
UNEP	0	0
UNIDO	2,094,192	488,921
World Bank	4,224,542	143,590
TOTAL	7,853,325	3,466,956

*Includes obligated balances of US \$402,128 and un-obligated balances of US \$81,017 for cancelled and ongoing projects.

14. Only UNEP indicated that there were no un-obligated balances. The level of un-obligated balances for UNDP exceeds the level of obligated balances. Some un-obligated balances might be retained to cover an excess in obligated amounts after project completion. However, UNDP is holding an amount which is almost twice the amount of obligated balances. UNDP indicated that it had not financially closed these projects and would not know the precise amount that could be returned on a project-by-project basis until the accounts were closed.

Agency support costs

15. At its 35th Meeting, the Executive Committee decided to request implementing agencies to return all agency support costs associated with remaining funds from projects, and if expenditures had been incurred from this cost, the implementing agencies should provide an explanation and return the balance of funds (Decision 35/13(k)). The following table presents the level of agency support costs being returned to the 39th Meeting.

Table 4

ADMINISTRATIVE SUPPORT COSTS RETURNED TO THE 39TH MEETING (US\$)

Agency	Funds from Completed Projects	Funds from Cancelled Projects	Adjustments	Total Funds to be Returned to the 39 th Meeting
UNDP	141,539	206,089	(1,469)	346,159
UNEP	0	0	0	0
UNIDO	33,815	57,509	0	91,324
World Bank	67,961	134,597	(11,482)	191,076
TOTAL	243,315	398,195	(12,951)	628,559

16. UNDP is requesting reimbursement for support costs of US \$1,469 for the methyl bromide project preparation in Sri Lanka (SRL/FUM/25/PRP/12). The World Bank is requesting reimbursement for some agency support costs that were withheld at the 38th Meeting as described below.

Withheld agency support costs

17. At the 38th Meeting, US \$1,159,980 was withheld from funds transferred to the World Bank as the World Bank had not provided sufficient explanations for not returning those support costs (Decision 38/7(c)). The Executive Committee also noted that a portion of the support costs from cancelled projects did not need to be returned when a fee was paid by the implementing agency to a financial intermediary to undertake a financial evaluation of the enterprise before project implementation, and the project was subsequently cancelled (Decision 38/7(d)).

18. The World Bank is requesting the reimbursement of US \$11,482 for the following projects since a fee was paid to a financial intermediary prior to cancellation pursuant to Decision 38/7(d):

Code	Status	Agency	Approved Funding plus Adjustments as of 31 Dec 2001 (US \$)	Support Costs Refunded to the World Bank at the 39th Meeting (US\$)	Explanation to the ExCom on Support Costs Used (Dec. 37/7(e))
ARG/REF/23/INV/69	CLO	IBRD	410,683	-6,160	Appraisal work completed for the project, involving several site visits by the financial intermediary (FI) and numerous consultations. FI has been compensated 1.5% for its work.
IDS/FOA/23/INV/76	CLO	IBRD	532,200	-5,322	Cancellation took place after the appraisal report but before equipment procurement began. On this basis 1% goes to the FI.
Total requested adjustment				-11,482	

RECOMMENDATIONS

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

- Note the report on project balances contained in UNEP/OzL.Pro/ExCom/39/18.
- Note the levels of funds being returned to the 39th Meeting totalling US \$5,120,933 plus support costs as follows by agency: US \$2,662,757 from UNDP and agency support costs of US \$346,159 including reimbursement of funds previously returned for one project in error by UNDP; US \$708,297 from UNIDO and agency support costs of US \$91,324 and US \$1,121,320 from the World Bank and agency support costs of US \$191,076 including the reimbursement of funds returned in error by the Bank for one project and reimbursement of financial intermediary fees for cancelled projects;
- Note that implementing agencies had balances totalling US \$3,381,057 excluding support costs from projects completed over two years ago: UNDP (US \$1,121,615 plus support costs); UNIDO (US \$1,670,822 plus support costs); and the World Bank (US \$588,620 plus support costs); and,
- Consider actions to address an increased level of balances held for over two years by the implementing agencies.
