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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-third Meeting
Montreal, 26 – 30 November 2007

FINAL 2006 ACCOUNTS

1. At its 52nd Meeting, the Executive Committee considered the UNEP provisional accounts of the Multilateral Fund for the year 2006 (UNEP/OzL.Pro/ExCom/52/53), presented by the Treasurer, which included the 2006 provisional accounts of the implementing agencies. At the meeting, the Executive Committee decided to note the Multilateral Fund provisional accounts for the year 2006 and noted that the final 2006 accounts would be submitted to the Committee at its 53rd Meeting.
2. The Agencies submitted their final 2006 accounts to the Treasurer in September 2007 in line with the deadline agreed upon with the Treasurer at the workshop on common terminology and procedures held at the Secretariat in February 2005. Since the UNEP/UNON accounts were closed by the time the final accounts of the implementing agencies were submitted there were no changes in the accounts of the Multilateral Fund. The differences that were identified between the agencies 2006 provisional accounts as presented in UNEP/OzL.Pro/ExCom/52/53, schedules 1.1 through 1.7, and the implementing agencies' final accounts, as submitted in September to the Treasurer, are reflected in tables 1 and 2 below and shall be recorded in the 2007 UNEP/UNON accounts as prior years' adjustments.

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issuance of the document.

For reasons of economy, this document is printed in a limited number. Delegates are kindly requested to bring their copies to the meeting and not to request additional copies.

Table 1

**DIFFERENCES BETWEEN IMPLEMENTING AGENCIES' PROVISIONAL
AND FINAL 2006 ACCOUNTS: INCOME (US \$)**

(1)	(2)	(3)	(4) = (2)-(3)
Agency	Aggregate Income for 2006 Accounts of the Fund (Provisional as reported by the Treasurer)	Aggregate Income for 2006 Accounts of the Fund (per Final statements)	Difference between Provisional and Final Accounts
UNDP	522,671,295	523,603,455	-932,160
UNEP	120,341,202	120,371,969	-30,767
UNIDO	472,795,591	472,795,591	-
World Bank	880,193,134	880,193,134	-

Table 2

**DIFFERENCES BETWEEN IMPLEMENTING AGENCIES' PROVISIONAL
AND FINAL 2006 ACCOUNTS: EXPENDITURE (US \$)**

(1)	(2)	(3)	(4) = (2)-(3)
Agency	Aggregate expenditure in 2006 Accounts of the Fund (Provisional as reported by the Treasurer)	Aggregate expenditure in 2006 Accounts of the Fund (per Final statements)	Difference between Provisional Accounts and Final Accounts
UNDP	426,652,104	426,979,864	-327,760
UNEP	103,175,624	100,604,848	2,570,776
UNIDO	421,454,613	421,454,613	-
World Bank	764,665,861	764,665,861	-

3. Annex 1 of this document is a reproduction of the schedules 1.1- 1.7 submitted to the 52nd meeting and presents the final 2006 accounts of the Multilateral Fund which have been reviewed and certified by the auditors. In their draft report the auditors recommend that the attention of the Meeting of the Parties to the Multilateral Fund should once again be drawn to the necessity to declare as bad debts the longest-standing and large debit balances. It is to be noted that this was raised at the 50th meeting of the Executive Committee and that the Committee decided that attention of the Meeting of the Parties should be drawn to the need for all outstanding contributions to be paid (Decision 50/43(b)).

RECOMMENDATION:

4. The Executive Committee may wish to:

- (a) Note the audited financial statement of the Multilateral Fund as at 31 December 2006;
- (b) Note the Auditors' request that the attention of the Meeting of Parties to the Fund should once again be drawn to the necessity to declare as bad debts the longest-standing and large debit balances;
- (c) Request the Treasurer that the auditor's observation and recommendation be closed considering the fact that the Executive Committee in its report to the 19th Meeting of the Parties drew the Parties' attention to the matter; and
- (d) Request the Treasurer to record in the 2007 accounts differences between the agencies provisional and their final 2006 accounts as reflected in tables 1 and 2 of this document.

Trust Fund for the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer

**I. Statement of income and expenditure and changes in reserves and fund balances
for the first year of the biennium 2006-2007 ended 31 December 2006**

(United States dollars)

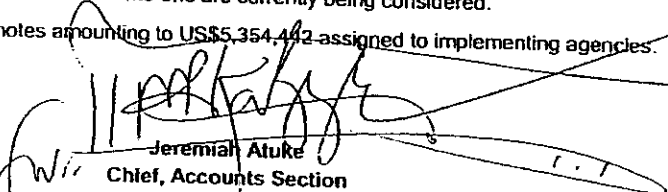
<u>Income</u>	
Voluntary contributions	
Interest income	128,959,184
Miscellaneous income	13,774,090
Total Income	14,210,514
<u>Expenditure</u>	
Staff and other personnel costs	3,291,357
Contractual services	911,374
Travel	352,811
Operating expenses	337,395
Acquisitions	526,943
Programme support costs	334,772
UNEP managed activities	13,055,936
UNDP managed activities	24,741,219
UNIDO managed activities	44,659,783
World Bank managed activities	86,149,098
Total Expenditure	174,360,688
Excess/(shortfall) of income over expenditure	(17,416,900)
Prior period adjustments	2,777,362
Net excess/(shortfall) of income over expenditure	(14,639,538)
Reserves and fund balances, beginning of period	515,196,779
Reserves and fund balances, end of period	500,557,241

**II. Statement of assets, liabilities, reserves and fund balances
as at 31 December 2006**

<u>Assets</u>	
Cash and term deposits	72,991
Cash pool - US dollar	1,701,172
Advances provided to implementing agencies	274,426,741
Accounts receivable	
Voluntary contributions receivable	See note (c) below
Other	185,672,790
Promissory notes	2,408,540
Other assets	See note (d) below
Total assets	41,005,344
Total assets	20,201
Total assets	505,307,779
<u>Liabilities</u>	
Payments or contributions received in advance	4,179,937
Unliquidated obligations	311,376
Accounts payable	
Inter-fund balances	
Other	124,657
Total liabilities	134,568
Reserves and fund balances	4,750,538
Cumulative surplus	500,557,241
Total reserves and fund balances	500,557,241
Total liabilities, reserves and fund balances	505,307,779

- (a) For ease of monitoring and to avoid delay the Treasurer recorded UNDP, UNIDO and WB-IBRD unaudited expenditures submitted for their accounting periods ended 31 December 2006 based on their agreement that they will provide audited expenditures immediately they become available. This practice is approved by the Executive Committee of the Multilateral Fund.
- b) Has to do with correcting the entries made in respect of the bilateral projects approved for Japan in December 2005.
- c) US \$ 108,078,916 (58%) represents amounts due from countries with economies in transition. The fund encourages parties to pay their outstanding contributions in full and no write-offs are currently being considered.
- d) The promissory note stock includes notes amounting to US\$5,354,442 assigned to implementing agencies.

MFL 17/10/2007


Jeremiah Atuke
Chief, Accounts Section
Budget and Financial Management services

17/10/07

SCHEDULE 1.1
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL

2006 STATEMENT OF INCOME AND EXPENDITURE (in US\$)
(Thousands of United States dollars)

INCOME	2006	2005	1991- 2006
Agreed contributions	128,959	123,938	2,055,740
Interest income	13,774	8,006	166,128
Miscellaneous income	14,211	13,043	48,388
TOTAL INCOME	156,944	144,987	2,270,256
EXPENDITURE			
UNEP Managed Activities	13,056	13,374	102,980
UNDP Managed Activities	24,741	27,903	426,652
UNIDO Managed Activities	44,660	38,964	421,449
World Bank Managed Activities	86,149	87,630	764,665
Secretariat	5,754	5,501	54,300
TOTAL EXPENDITURE	174,360	173,372	1,770,046
Excess of income over expenditure	(17,416)	(28,385)	500,210
Prior period adjustments	2,777	(2,773)	349
Net excess of income over expenditure	(14,639)	(31,158)	500,559
Fund balance, beginning of period	515,198	546,356	0
Fund balance, end of period	500,559	515,198	500,559

(i) For ease of monitoring and to avoid delays the Treasurer recorded UNDP, UNIDO and WB-IBRD unaudited expenditures submitted for their accounting periods ended 31 December 2006 based on agreement that they will provide audited expenditures immediately they become available. The Treasurer, also according to the approved practice of the Executive Committee of the Multilateral Fund, recorded expenditures from implementing agencies of US \$130,000 in the current period resulting from the reconciliation of the audited accounts for the periods ending 31 December 2005 and earlier.

(ii) The prior period adjustments relate to correcting entries made in respect of a contribution for bilateral projects from Japan approved in December 2005 but not recorded in 2004-2005.

(iii) Of the total US \$185.673 million Voluntary contributions receivable, US\$108.079 million or 58% represent amounts due from countries with economies in transition. The Fund encourages parties to pay their outstanding contributions in full and no write-offs or provisions for doubtful accounts are currently being applied.

(iv) As at 31 December 2006, the Promissory notes included US \$5,354,442 assigned to implementing agencies.

SCHEDULE 1.2

MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL
2006 STATEMENT OF ASSETS AND LIABILITIES

(Thousands of United States dollars)

ASSETS	31.12.2006	31.12.2005
Cash and term deposits	1,774	10,791
Voluntary pledges receivable	185,673	165,179
Inter-fund balance receivable	0	3,750
Other accounts receivable	2,408	0
Other assets - deferred charges	20	3
Promissory notes	41,005	90,929
Operating funds provided to implementing agencies	274,427	252,963
TOTAL ASSETS	505,307	523,615
LIABILITIES		
Deferred credits	4,180	4,465
Reserve for obligations	308	437
Inter-fund balance payable	125	0
Other accounts payable	135	3,516
Advances provided by implementing agencies	0	0
TOTAL LIABILITIES	4,748	8,418
RESERVES AND FUND BALANCES		
Cumulative surplus	500,559	515,197
TOTAL RESERVES AND FUND BALANCES	500,559	515,197
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	505,307	523,615

SCHEDULE 1.3

A. 2006 Expenditures for Account MFL 2336-2211-2661: (Secretariat's Main Account)

		Approved Budget	Actual Expenditure	Savings/ (Deficit)
10	PROJECT PERSONNEL COMPONENT			
	<i>1100 Project Personnel</i>			
	1101 Chief Officer (D-2)	180,432	201,754	(21,322)
	1102 Deputy Chief Officer (Economic Cooperation) (P-5)	165,573	186,709	(21,136)
	1103 Deputy Chief Officer (Technical Cooperation) (P-5)	168,890	254,371	(85,481)
	1104 Senior Project Management Officer (P-5)	160,910	167,654	(6,744)
	1105 Senior Project Management Officer (P-5)	160,910	122,141	38,769
	1106 Senior Project Management Officer (P-5)	160,910	140,180	20,730
	1107 Senior Project Management Officer (P-5)	160,910	169,749	(8,839)
	1108 Information Management Officer (P-3)	142,279	173,094	(30,815)
	1109 Administrative and Fund Management Officer (P-4)	144,370	156,281	(11,911)
	1110 Senior Monitoring and Evaluation Officer (P-5)	160,910	182,570	(21,660)
	1111 Associate Executive Assistant to Chief Officer (P-2)	74,970	89,366	(14,396)
	1112 Associate IT Officer	71,400	43,315	28,085
	1188 Prior Year's Adjustment			
	<i>1199 Sub-total*</i>	1,752,464	1,887,184	(134,720)
	<i>1200 Consultants</i>			
	1201 Projects and technical reviews etc	150,000	119,982	30,018
	<i>1299 Sub-total</i>	150,000	119,982	30,018
	<i>1300 Administrative Support Staff costs</i>			
	1301 Admin Assistant (G-8)	73,139	79,738	(6,599)
	1302 Meetings Services Assistant (G-7)	69,206	75,380	(6,174)
	1303 Programme Assistant (G-8)	73,139	72,565	574
	1304 Senior Secretary (Deputy Chief, Economic Cooperation) (G-6)	54,177	56,134	(1,957)
	1305 Senior Secretary (Deputy Chief, Technical Cooperation) (G-6)	54,177	54,081	96
	1306 Computer Operations Assistant (G-7/G-8)	73,139	42,245	30,894
	1307 Secretary (to 2 Programme Officers) (G-6)	57,260	62,210	(4,950)
	1308 Secretary/Clerk, Administration (G-5)	61,425	50,863	10,562
	1309 Registry Clerk (G-4)	46,799	62,015	(15,216)
	1310 Database Assistant (G-8)	73,139	84,655	(11,516)
	1311 Secretary, Monitoring and Evaluation, (G-5/G-6)	54,177	48,100	6,077
	<i>1301-11 Sub-total (support staff costs)</i>	689,777	687,986	1,791
	1333 Executive Committee meetings	600,000	667,513	(67,513)
	<i>1333 Sub-total (conference servicing)</i>	600,000	667,513	(67,513)
	1335 Tempory Assistance	50,000	48,673	1,327
	1388 Prior Year's Adjustment	-	-	0
	<i>1388 Sub-total</i>	-	0	0
	<i>1399 Sub-total</i>	1,339,777	1,404,172	(64,395)

*The Government of Canada will return to the fund US\$471,978 for the cost differentials of the 2006 staff cost which will result into reducing the Secretariat staff cost by equivalent amount.

			Approved	Actual	Savings/
			Budget	Expenditure	(Deficit)
	1600	<i>Travel on Official Missions</i>			
	1601	Mission costs	160,000	159,325	675
	1602	Mission costs (Excom 50)	130,000	130,000	0
	1699	<i>Sub-total</i>	290,000	289,325	675
1999		COMPONENT TOTAL	3,532,241	3,700,663	(168,422)
20		SUB-CONTRACTS COMPONENT			
	2100	<i>Sub-Contracts with UN Agencies:</i>			
	2101	Treasury services	500,000	500,000	0
	2199	<i>Sub-total</i>	500,000	500,000	0
	2300	<i>Sub-Contracts with Profit Making Institutions</i>			0
	2301	Corporate Consultancies	0	0	0
	2399	<i>Sub-total</i>	0	0	0
2999		COMPONENT TOTAL	500,000	500,000	0
30		MEETINGS PARTICIPATION COMPONENT			
	3300	<i>Assistance to Participants from Developing Countries</i>			
	3301	Travel of Chairman / Vice-Chairman	30,000	11,010	18,990
	3302	Executive Committee meetings - 2005	225,000	160,469	64,531
	3303	Sub-Committee and Informal Sub-group meetings	30,000	2,276	27,724
	3305	Expert Meeting on non-reusable and unwanted ODS	50,000	33,129	16,871
	3399	<i>Sub-total</i>	335,000	206,884	128,116
3999		COMPONENT TOTAL	335,000	206,884	128,116
40		EQUIPMENT COMPONENT			
	4100	<i>Expendables</i>			
	4101	Office stationery etc	15,000	14,131	869
	4102	Software & Computer expendables	9,000	6,026	2,974
	4199	<i>Sub-total</i>	24,000	20,157	3,843
	4200	<i>Non-expendable Equipment</i>			
	4201	Computer, printers etc.	10,000	5,622	4,378
	4202	Others	5,000	206	4,794
	4299	<i>Sub-total</i>	15,000	5,828	9,172
	4300	<i>Rental of premises</i>			
	4301	Rental of office premises**	310,000	500,958	(190,958)
	4399	<i>Sub-total</i>	310,000	500,958	(190,958)
4999		COMPONENT TOTAL	349,000	526,943	(177,943)
50		MISCELLANEOUS COMPONENT			
	5100	<i>Operations and Maintenance</i>			
	5101	Computers, printers etc	9,000	4,129	4,871
	5102	Office premises	9,000	4,129	4,871
	5103	Rental of Photocopiers	15,000	13,791	1,209
	5104	Telecommunications equipment	9,000	3,543	5,457
	5105	Miscellaneous equipment rentals	12,000	12,000	0
	5199	<i>Sub-total</i>	54,000	37,592	16,408
	5200	<i>Reporting Costs</i>			

** The Government of Canada will return to the fund US\$401,198 for the cost differentials of the 2006 rental of premises which will result into reducing the Secretariat expenditures by equivalent amount.

		Approved Budget	Actual Expenditure	Savings/ (Deficit)
	5201			
	5202	20,000	19,747	253
	5299	20,000	19,747	253
	5300			
	5301	40,000	41,961	(1,961)
	5302	15,000	15,354	(354)
	5303	5,000	1,025	3,975
	5304	0	0	0
	5305	38,000	6,157	31,843
	5399	98,000	64,497	33,503
	5400			
	5401	10,000	6,675	3,325
	5499	10,000	6,675	3,325
5999	COMPONENT TOTAL	182,000	128,511	53,489
99	PROJECT TOTAL	4,898,241	5,063,001	(164,760)
	<i>Programme Support Costs</i>	317,491	334,772	(17,281)
	GRAND TOTAL ***	5,215,732	5,397,773	(182,041)
B. 2006 Expenditures for Account MFL 2336-2212-2661: (Monitoring and Evaluation)				
		Approved Budget	Actual Expenditure	Savings/ (Deficit)
	1201	121,152	104,154	16,998
	1202	110,000	87,659	22,341
	1203	115,482	99,579	15,903
	1205	0	0	0
	1601	63,486	63,486	0
	4101	0	0	0
	4201	4,000	0	4,000
	5105	0	0	0
	5201	0	0	0
	5301	2,000	2,000	0
	ACCOUNT TOTAL	416,120	356,878	59,242
C. 2006 Expenditures for Account MFL 2336-2213-2661: (Technical Audits: Production Sector)				
	2300			
	2301	0	0	0
	ACCOUNT TOTAL	0	0	0
D. 2006 Expenditures for Account MFL 2336-2720-2661: (Information Strategy)				
		Approved Budget	Actual Expenditure	Savings/ (Deficit)
	1201	0	0	0
	4102	0	0	0
	4201	0	0	0
	5105	0	0	0
	ACCOUNT TOTAL	0	0	0
	TOTAL FOR ALL ACCOUNTS	5,631,852	5,754,651	(122,799)

*** The Government of Canada will return to the fund US\$873,176 for the cost differentials of the 2006 rental of premises and staff which will result into reducing the Secretariat expenditures by equivalent amount.

SCHEDULE 1.4			
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL			
UNDP Managed Activities in 1991 - 2006			
INCOME	2006	2005	1991-2006
Cash transferred from the Multilateral Fund	13,579,697	43,931,379	447,808,045
Promissory notes encashment	0	0	31,150,012
Interest and miscellaneous income earned and retained	3,231,000	2,608,285	43,713,238
TOTAL INCOME	16,810,697	46,539,664	522,671,295
TOTAL EXPENDITURE	24,806,241	29,441,798	426,652,104
EXCESS OF INCOME OVER EXPENDITURE	(7,995,544)	17,097,866	96,019,191
NET EXCESS OF INCOME OVER EXPENDITURE	(7,995,544)	17,097,866	96,019,191
Fund balance, beginning of period	104,014,735	86,916,869	0
Add excess of income over expenditure	(7,995,544)	17,097,866	96,019,191
Fund balance, end of period	96,019,191	104,014,735	96,019,191

SCHEDULE 1.5			
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL			
UNEP Managed Activities in 1991 - 2006			
INCOME	2006	2005	1991-2006
Cash transferred from the Multilateral Fund	9,724,930	11,672,254	114,007,390
Total transfers	9,724,930	11,672,254	114,007,390
Interest earned and retained	1,005,616	589,961	6,308,555
Other income	25,257	0	25,257
TOTAL INCOME	10,755,803	12,262,215	120,341,202
TOTAL EXPENDITURE	13,086,265	13,658,659	103,175,624
EXCESS OF INCOME OVER EXPENDITURE	(2,330,462)	(1,396,444)	17,165,578
Prior period adjustments	(35,688)	0	(71,722)
NET EXCESS OF INCOME OVER EXPENDITURE	(2,366,150)	(1,396,444)	17,093,856
Fund balance, beginning of period	19,460,006	20,856,450	0
Add excess of income over expenditure	(2,366,150)	(1,396,444)	17,093,856
Fund balance, end of period	17,093,856	19,460,006	17,093,856

SCHEDULE 1.6			
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL			
UNIDO Managed Activities in 1991 - 2006			
INCOME	2006	2005	1991-2006
Cash transferred from the Multilateral Fund	22,332,117	68,800,452	443,155,251
Interest and miscellaneous income earned and retained	2,910,077	1,488,686	29,640,340
Value of Promisory notes received	0	0	0
TOTAL INCOME	25,242,194	70,289,138	472,795,591
TOTAL EXPENDITURE	44,378,908	38,955,235	421,454,613
EXCESS OF INCOME OVER EXPENDITURE	(19,136,714)	31,333,903	51,340,978
NET EXCESS OF INCOME OVER EXPENDITURE	(19,136,714)	31,333,903	51,340,978
Fund balance, beginning of period	70,477,692	39,143,789	0
Add excess of income over expenditure	(19,136,714)	31,333,903	51,340,978
Fund balance, end of period	51,340,978	70,477,692	51,340,978

The 1991-2006 expenditures include a sum of US \$361,967 relating to Miscellaneous expenditures and bank charges pending decision of the Executive Committee.

SCHEDULE 1.7			
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL			
World Bank Managed Activities in 1991 - 2006			
INCOME	2006	2005	1991-2006
Cash transferred from the Multilateral Fund	112,118,963	56,689,405	634,118,140
Promissory notes encashed*	0	5,140,137	181,333,627
Interest and miscellaneous income earned and retained (investment income)	4,233,849	3,444,544	64,741,367
TOTAL INCOME	116,352,812	65,274,086	880,193,134
TOTAL EXPENDITURE	86,204,593	87,630,177	764,665,861
EXCESS OF INCOME OVER EXPENDITURE	30,148,219	(22,356,091)	115,527,273
NET EXCESS OF INCOME OVER EXPENDITURE	30,148,219	(22,356,091)	115,527,273
Fund balance, beginning of period**	85,379,054	108,375,370	0
Add excess of income over expenditure	30,148,219	(22,356,091)	115,527,273
Fund balance, end of period	115,527,273	86,019,279	115,527,273

*Promissory notes information provided by World Bank accounts.

** The World Bank restated its Opening Fund balance for 2006 to include unrealized investment income as at the end of 31 December 2005.