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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 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 completed projects with 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, Decision 38/7(b) regarding the reassessment of the status of completed projects with balances as ongoing and balances from projects completed two years previously, Decision 39/15(d) concerning large amounts corresponding to non-reimbursed balances for projects completed two years previously and Decision 20/13 concerning reporting on funds disbursed and obligated and un-obligated funds.

Funds being returned to the 40th Meeting

3. The implementing agencies have indicated that they will be returning a total of US \$2,389,992 to the 40th Meeting. This sum arises from completed projects with balances, un-obligated funds from cancelled projects, and other adjustments.

4. The Government of Canada indicated that it had returned US \$2,600 to the Treasurer in 2003 from the refrigeration sector project preparation in Cuba (CUB/REF/25/PRP/09). The Executive Committee may wish to note these funds have been returned to the Treasurer in the form of a cash payment.

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

Table 1

FUNDS RETURNED TO THE 40TH MEETING (US\$)

Agency	Funds from Completed Projects	Funds from Cancelled Projects	Funds from Ongoing Projects	Adjustments	Total Funds to be Returned to the 40 th Meeting
UNDP	1,193,238	2	225,138	(10,000)	1,408,378
UNEP	1,265,686	0	0	0	1,265,686
UNIDO	165,517	0	56,252	0	221,769
World Bank	441,873	401,509	55,440	(1,404,663)*	(505,841)
TOTAL	3,066,314	401,511	336,830	(1,414,663)	2,389,992

*Excluding the reimbursement of \$245,405 requested by the World Bank for a refrigeration project in Thailand (THA/REF/10/INV/20).

6. UNDP is requesting recovery of funds which was returned at the 39th Meeting for two foam project preparation activities in India (IND/FOA/30/PRP/250-251) due to incorrectly recorded expenditure. The reimbursement amounts to US \$6,963 and US \$3,037, respectively.

7. The World Bank requested reimbursement of US \$1,390,630 for a refrigeration project in Argentina (ARG/REF/15/INV/21), US \$14,033 for a training project in Chile (CHI/SEV/07/TRA/11) and US \$245,405 for a refrigeration project in Thailand (THA/REF/10/INV/20). The Secretariat noted that funds were returned twice for both the Argentine and Chilean projects per the balances reports at Executive Committee meetings: once at the 31st Meeting and once at the 35th Meeting for the Argentine project; and once at the 30th Meeting and once at the 32nd Meeting for the Chilean project.

8. However, there are noticeable differences in data for the refrigeration project at Hitachi Consumer Products Co. Ltd. in Thailand (THA/REF/10/INV/20) between the World Bank's balances and progress reports, and the Secretariat's Inventory. These differences are shown in Table 2.

Table 2

DATA INCONSISTENCIES CONCERNING THE REFRIGERATION PROJECT AT HITACHI CONSUMER PRODUCTS CO. LTD. IN THAILAND (THA/REF/10/INV/20)

	Approved Funding (US\$)	Adjustment (US\$)	Approved Funding plus Adjustments as of 31 December 2002 (US\$)	Funds Disbursed as of 31 December 2002 (US\$)	Balance as of December 2002 (US\$)	Estimated Funds Disbursed as per 40th Meeting (US\$)	Estimated Balances as per 40th Meeting (US\$)
Balances/Progress Report	553,000	-116,544	436,456	681,861	-245,405	681,861	-245,405
Secretariat's Inventory	553,000	7,976	560,976	681,861	-120,885		

9. The World Bank reiterates in its comments on balances report the return of the funds amounting to US \$124,520 at the 22nd Meeting and US \$245,405 at the 30th Meeting which does not correspond to the Adjustment in its progress report. The Secretariat, therefore, cannot reimburse the World Bank the amount it requested for this project until the problem of data inconsistencies is solved. The financial inconsistencies will be addressed in the context of the Reconciliation of Accounts at the 41st Meeting when the 2002 accounts report from the World Bank is submitted to the Treasurer.

Projects with Balances by the Year the Project was completed

10. Table 3 indicates the number of projects with balances that are still being held by the implementing agencies, and the years that they were completed.

Table 3

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	1	6,999	0	0	0	0	0	0	1	6,999
1997	1	63	0	0	0	0	0	0	1	63
1998	3	25,192	0	0	0	0	0	0	3	25,192
1999	25	126,637	0	0	0	0	3	235,323	28	361,960
2000	38	368,491	0	0	0	0	2	167,695	40	536,186
Projects completed over 2 years	69	527,816	0	0	0	0	5	403,018	74	930,834
2001	121	1,319,265	0	0	11	692,656	4	308,628	136	2,320,549
2002	17	396,772	0	0	1	43,941	3	142,231	21	582,944
TOTAL	207	2,243,853	0	0	12	736,597	12	853,877	231	3,834,327

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

11. Table 3 shows that implementing agencies had balances totalling US \$3,834,327 for projects completed 12 months previously. There were 74 projects with balances from projects completed over 2 years previously totalling US \$930,834.

12. Of the 5 projects completed 2 year previously, the World Bank indicated that balances amounting to US \$243,746 from the 3 Indian projects could be disbursed or returned in June 2003 since the dispute on level of compensation for technical services between the Bank's financial intermediary and the consulting firm was resolved.

Non-reimbursed balances for projects completed two years previously

13. At its 39th Meeting, the Executive Committee requested the Chair of the Executive Committee to send a letter to the head administrators of UNDP and UNIDO expressing the Multilateral Fund's strong concern with regard to the large amounts corresponding to non-reimbursed balances for projects completed two years previously, and requested that those amounts be returned immediately to the Multilateral Fund for reprogramming (Decision 39/15).

14. The Administrator of UNDP informed the Chairman of the Executive Committee that it had initiated an extensive review of all the completed projects to determine the unspent balance to be returned to the Multilateral Fund and resolve any pending issues (see Annex I). UNDP also indicated that some of these projects still have outstanding issues at this Meeting and therefore the associated unspent balances could only be returned at the 41st Meeting. As shown in Table 3, UNDP still has balances amounting to US \$527,816 (excluding support costs) from 69 projects completed over two years.

15. The Director General of UNIDO informed the Chairman of the Executive Committee that it was able to financially complete all projects that were classified as completed over two years (see Annex II). As shown in Table 3, there are no longer balances for these projects. Remaining

balances from these projects were either returned to the 39th Meeting of the Executive Committee or are being returned to this Meeting.

Reassessment of the status of completed projects with balances

16. 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 at the 39th Meeting. At this meeting, the World Bank which requested to reclassify the Fathai Abu Arja polyurethane foam project in Jordan (JOR/FOA/23/INV/37) as an ongoing project.

17. This project was originally assessed as completed by the World Bank in December 1999 with the total tonnage foreseen in the project document, 105.4 ODP tonnes was phased out. The World Bank's 1999 progress report first indicated the project as completed with US \$508,000 disbursed of the US \$824,869 approved. Since 1999, the World Bank disbursed US \$195,401 in 2000, no funds in 2001 or 2002, leaving a balance of US \$121,468. However the World Bank has disbursed US \$24,000 in 2003.

18. The World Bank submitted Jordan's country programme update to the 38th Meeting (UNEP/OzL.Pro/ExCom/38/64) as a national ODS phase-out plan. In its comments on the update, the Secretariat noted that the Arja foam project was intended to phase-out Jordan's remaining consumption in the polyurethane foam sector that uses CFC-11, but the update included 78 ODP tonnes for that sub-sector. Jordan indicated that one of the funding components for the national ODS phase-out plan was for the phase-out of remaining CFCs in the foam sector. The Executive Committee approved US \$410,000 plus support costs with the condition that the Government of Jordan agreed that no additional resources would be requested from the Multilateral Fund or bilateral agencies for activities related to the phase out of controlled substances (Decision 38/72).

19. Jordan's 2002 report on the implementation of country programmes specifies 50 tonnes of CFC-11 consumption in the foam sector.

20. The World Bank indicated that the un-resolved problems that had prevented financial completion were related to the extent to which the project had reached its intended objectives because there remain several small eligible enterprises in the sub-sector that it claims were not funded as part of the national ODS phase-out plan. However, it should be noted that the Bank's country programme update included foam sector phase-out and the decision to approve the plan did not exclude the foam sector from receiving funds.

21. The World Bank also indicated another problem with this project. The organization that implemented the project, Fathai Abu Arja and the Jordan Audit Bureau have a disagreement on the use of the funds disbursed to-date. The Jordan Audit Bureau found that it could not find sufficient documentation supporting full payment of the approved funds for the training and technical assistance components of the project. However, Fathai Abu Arja indicated that it had provided the participating enterprises with the necessary training and technical assistance per the

original proposal and was committed to providing additional technical support as needed. The decision of the 38th Meeting was proposed by the Secretariat to ascertain if projects that were identified as completed were completed since funds continued to be disbursed after project completion. It was intended to be a one-off offer to agencies, but not an ongoing offer to re-open completed or financially completed projects to enable any balances to be spent. The Executive Committee should consider the possible adverse implications of re-opening completed projects to enable funds to be disbursed in deciding whether to allow this request of the World Bank.

22. Implementing agencies should not unilaterally re-open completed projects and start to disburse funds as it appears the Bank has in this case since funds were disbursed in 2003. Any funds disbursed for the mission to Jordan to seek the resolution of ongoing balances from a completed project should be paid from administrative support costs received by the World Bank bearing in mind that the Executive Committee has provided US \$1.5 million each to UNDP, UNIDO and the World Bank for the administrative costs of their core units in 2003. The Executive Committee may wish to consider the Fathai Abu Araj project as financially completed and offset US \$121,468 against World Bank approvals at the 40th Meeting.

Obligated and Un-obligated Balances

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

Table 4

OBLIGATED AND UN-OBLIGATED BALANCES BY AGENCY

Agency	Obligated Balances	Un-obligated Balances
UNDP*	1,020,675	1,399,419
UNEP	0	0
UNIDO**	904,957	309,381
World Bank***	870,941	155,113
TOTAL	2,796,573	1,863,913

*Includes obligated balances of US \$72,347 and un-obligated balances of US \$107,945 for cancelled projects.

**Includes obligated balances of US \$421,799 and un-obligated balances of US \$55,942 for cancelled projects.

*** Includes obligated balances of US \$172,177 for an ongoing project.

24. The level of un-obligated balances for UNDP exceeds the level of obligated balances. Some un-obligated balances might be retained to cover any excess in obligated amounts after project completion. As indicated in para. 13, UNDP is under the process of reviewing all projects with balances and will resolve the outstanding issues and return the unspent balances at the 41st Meeting.

25. At its 20th Meeting, the Executive Committee noted that problems of comparability between the World Bank and the United Nations agencies and decided that "funds disbursed", as

reported in the progress reports by the implementing agencies to the Executive Committee, were actual recorded expenditures, not including unliquidated obligations (Decision 20/13, para. a). UN implementing agencies have information indicating funds disbursed as defined in Decision 20/13, funds obligated and funds un-obligated. The Executive Committee has adopted guidelines on the return of unobligated balances from completed projects (Decision 31/2) that specified that the format for reporting balances should include the date of completion, the level of approved funding, the amount dispersed to date and, of the balance, how much had been obligated, how much was unobligated, and how much had been returned.

26. Only UNEP indicated that there were no un-obligated balances. UNEP has never reported any projects with unobligated balances since this information was required at the 31st Meeting. No obligated balances were reported to the 38th, 39th, and 40th Meetings. However, as shown in Table 5, disbursements reported in October 2002 exceed the level reported in December 2002 for UNDP, UNEP and the World Bank. This suggests that either there was a mistake or that obligated or unobligated balances were reported as disbursements in October 2002.

Table 5

DISBURSEMENT REPORTED BY UNEP AT THE 38TH MEETING AND IN ITS 2002 PROGRESS REPORT (US\$)

Agency	Code	Estimated Disbursement as per 38th Meeting (US\$) Submitted in October 2002	Funds Disbursed (US\$) As of 31 December 2002 per Progress Reports
UNDP	EGY/FOA/15/INV/36	487,345	510,596
UNDP	NIR/FOA/23/INV/28	395,188	403,234
UNDP	IND/HAL/13/DEM/28	264,889	265,138
UNDP	ZIM/FUM/27/DEM/17	202,708	202,830
UNEP	ASP/SEV/30/TRA/35	150,000	124,878
UNEP	DRK/SEV/21/INS/02	142,560	126,456
UNEP	LES/SEV/20/INS/02	30,000	27,523
UNEP	MLW/SEV/25/INS/10	51,350	42,753
UNEP	NER/SEV/26/INS/04	50,000	46,012
UNEP	PHI/SEV/11/TAS/23	200,000	157,083
World Bank	IND/FOA/19/INV/77	119,724	123,743
World Bank	JOR/FOA/23/INV/37	703,401	727,401
World Bank	IND/FOA/20/INV/104	2,659,305	2,688,310

27. As reporting unobligated balances is a necessary aspect of monitoring completed projects with balances, the Executive Committee may wish to note with concern that disbursements reported to the 38th Meeting were inaccurate, and request UNDP, UNEP, and the World Bank to ensure that future balances reports are accurate, comply with Executive Committee financial reporting decisions, and distinguish disbursements from obligated and un-obligated balances.

Agency support costs

28. 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 40th Meeting.

Table 6

ADMINISTRATIVE SUPPORT COSTS RETURNED TO THE 40TH MEETING (US\$)

Agency	Funds from Completed Projects	Funds from Cancelled Projects	Funds from Ongoing Projects	Adjustments	Total Funds to be Returned to the 39th Meeting
UNDP	153,367	0	29,268	(1,300)	181,335
UNEP	105,255	0	0	0	105,255
UNIDO	21,515	0	7,313	0	28,828
World Bank	178,437*	32,726	7,207	(9,574)	208,796
TOTAL	458,574	32,726	43,788	(10,874)	524,214

*Of which \$138,191 from 14 projects has already been recorded in the Secretariat's Inventory, but actual deduction by Treasurer never took place.

29. UNDP is requesting reimbursement for support costs of US \$1,300 for the two foam project preparation activities in India (IND/FOA/30/PRP/250-251). 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

30. 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)).

31. The World Bank is requesting the reimbursement of US \$9,574 for the following projects since a fee was paid to a financial intermediary prior to cancellation pursuant to Decision 38/7(d):

Table 7

TRANSFERS TO THE WORLD BANK PURSUANT TO DECISION 38/7d

Code	Status	Approved Funding	Adjustment	Approved Funding plus Adjustments as of 31 Dec. 2002 (US \$)	Support Cost Approved as of 31 Dec. 2002 (US\$)	Support Costs Refunded to the World Bank at the 40 th Meeting (US\$)	Explanation to the ExCom on Support Costs Used (Dec. 37/7(e))
CPR/FOA/27/INV/269	FIN	436,100	-436,100	0	56,693	-850	0.5% agency fee goes to the FI as the Bank agreement with the country is that the FI gets .5% upon final disbursement on the original project amount.
CPR/FOA/28/INV/296	FIN	534,534	-534,534	0	68,799	-1,032	0.5% agency fee goes to the FI as the Bank agreement with the country is that the FI gets .5% upon final disbursement on the original project amount.
CPR/FOA/29/INV/324	FIN	498,400	-498,400	0	64,792	-972	0.5% agency fee goes to the FI as the Bank agreement with the country is that the FI gets .5% upon final disbursement on the original project amount.
CPR/FOA/31/INV/363	FIN	420,525	-420,525	0	54,668	-820	0.5% agency fee goes to the FI as the Bank agreement with the country is that the FI gets .5% upon final disbursement on the original project amount.
CPR/REF/18/INV/149	FIN	2,212,039	-202,829	2,009,210	287,565	-1,014	0.5% agency fee goes to the FI as the Bank agreement with the country is that the FI gets .5% upon final disbursement on the original project amount.
CPR/REF/23/INV/235	FIN	1,237,663	1,237,663	0	160,896	-2,413	0.5% agency fee goes to the FI as the Bank agreement with the country is that the FI gets .5% upon final disbursement on the original project amount.
CPR/REF/25/INV/251	FIN	1,267,638	1,267,638	0	164,793	-2,472	0.5% agency fee goes to the FI as the Bank agreement with the country is that the FI gets .5% upon final disbursement on the original project amount.
Total requested adjustment						-9,574	

Note:

1. The reimbursement for agency fees requested by the World Bank equals to 0.2% of the approved funding (except for the project CPR/REF/18/INV/149, the requested reimbursement equals to 0.05% of the approved funding plus adjustments).
2. The World Bank is requesting 1.5% agency fee reimbursement instead of 0.5% as indicated in its Balances Report (except for the project CPR/REF/18/INV/149, the requested reimbursement is 0.35% agency fee)

RECOMMENDATIONS

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

1. Note the report on project balances contained in UNEP/OzL.Pro/ExCom/40/24.
2. Note that the Government of Canada had returned US \$2,600 to the Treasurer for the refrigeration project preparation in Cuba (CUB/REF/25/PRP/09).

3. Request that the data concerning the refrigeration project at Hitachi Consumer Products Co. Ltd. in Thailand (THA/REF/10/INV/20) should be addressed in the annual reconciliation of accounts to be presented to the 41st Meeting.
4. Note, with appreciation, the letters from the Administrator of UNDP and the Director General of UNIDO in response to non-reimbursed balances for projects completed two years previously.
5. Consider the Fathai Abu Araj foam project in Jordan (JOR/FOA/23/INV/37) as financially completed and offset the balance as of 31 December 2002 reported in the World Bank's progress report against World Bank approvals at the 40th Meeting based on Decision 38/72.
6. Note with concern that disbursements reported to the 38th Meeting were inaccurate, and request UNDP, UNEP, and the World Bank to ensure that future balances reports are accurate, comply with Executive Committee financial reporting decisions, and distinguish disbursements from obligated and un-obligated balances.
7. Note the levels of funds being returned to the 40th Meeting totalling US \$2,389,992 plus support costs of US \$524,214 as follows by agency: US \$1,408,378 from UNDP and agency support costs of US \$181,335 including reimbursement of funds previously returned in error for two projects by UNDP; US \$1,265,686 from UNEP and agency support costs of US \$105,255; US \$221,769 from UNIDO and agency support costs of US \$28,828; and US \$(505,841) from the World Bank and agency support costs of US \$208,796 including the reimbursement of funds returned in error by the Bank for two projects and reimbursement of financial intermediary fees for cancelled projects.
8. Note that implementing agencies had balances totalling US \$930,834 excluding support costs from projects completed over two years ago: UNDP (US \$527,816 plus support costs); and the World Bank (US \$403,018 plus support costs).
