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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Thirty-fifth Meeting  
Montreal, 5-7 December 2001

**COMPLETED PROJECTS WITH 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 the funds approved by the Executive Committee.

2. The document provides a summary of the submissions of the implementing agencies on projects with completed balances and the return of funds from cancelled projects. It also addressed issues raised during the review and provides recommendations for the Executive Committee's consideration. The submissions of the implementing agencies were provided in the format required by the guidelines. This information is available upon request.

**Funds being returned to the 35<sup>th</sup> Meeting**

3. The implementing agencies have indicated that they will be returning a total of US 4,272,514 to the 35<sup>th</sup> Meeting from completed projects with balances, and un-obligated funds from cancelled projects. The following table indicates the level of funds being returned by agency.

<b>Agency</b>	<b>Funds from Completed Projects (US\$)</b>	<b>Funds from Cancelled Projects (US\$)</b>	<b>Adjustment to Funds Returned (US\$)</b>	<b>Total Funds to be Returned to the 35<sup>th</sup> Meeting (US\$)</b>
UNDP	542,926	185,254	(5,726)	722,454
UNEP	0	0	0	0
UNIDO*	90,325	929,444	0	1,093,144
World Bank	2,250,338	206,578	0	2,456,916
<b>TOTAL</b>	<b>2,883,589</b>	<b>1,321,276</b>	<b>(5,726)</b>	<b>4,272,514</b>

\* Funds from cancelled projects includes the funds returned from a cancelled component of an ongoing project.

4. Funds are being returned by all agencies except UNEP for whom there is only one project with remaining obligated balances. UNDP indicated that it had inadvertently returned funds from the same project to both the 32<sup>nd</sup> and 34<sup>th</sup> Meetings. Therefore, the total amount being returned to the 35<sup>th</sup> Meeting is adjusted accordingly.

**Projects with Balance by Year the Project was Completed**

5. The following table indicates the number of projects with balances and the years that they were completed:

Year Completed	Number of Projects with Balances by Agency			
	UNDP	UNEP	UNIDO	World Bank
1996	0	0	1	1
1997	5	0	5	2
1998	13	0	25	14
1999	58*	1	27	16
2000	67	0	33	17

\*Excluding those with negative balances.

6. The table above shows that there are several projects approved over one year ago that have not been financially closed. There remains a significant number of projects that still have balances but were completed over two, three or more years ago. The Executive Committee has decided that all remaining balances should be returned 12 months after project completion.

### Cancelled Projects with Remaining Balances

7. UNDP has seven cancelled projects with remaining obligated balances totalling US \$1,595,916. UNIDO has five cancelled projects with remaining balances totalling US \$1,008,353 of which US \$319,375 is un-obligated. These agencies indicated that they were in the process of closing these accounts.

### Obligated and Un-obligated Balances

8. The total amount of balances classified as obligated and un-obligated is as follows for the four implementing agencies:

Agency	Obligated Balances (US\$)	Un-obligated Balances (US\$)
UNDP	5,208,311	5,263,181
UNEP	4,000	0
UNIDO	3,551,364	2,829,606
World Bank	3,950,718	0
TOTAL	12,714,393	8,092,787

9. All of the agencies reported the level of obligated and un-obligated balances for their completed and cancelled projects. UNEP and the World Bank indicated that they had no un-obligated balances. UNEP indicated that the remaining obligated balances were for a consultant associated with the Fiji RMP and that the account was being closed. The World Bank indicated when the remaining obligated balances would be disbursed.

### Definition of un-obligated Balances

10. The Secretariat requested the implementing agencies to verify that they had used the definitions of un-obligated balances contained in UNEP/OzL.Pro/ExCom/31/6. All of the implementing agencies confirmed that they had used the established definitions.

### Negative Balances

11. UNDP listed two projects with negative obligated balances: one amounting to a negative balance of US \$544 (BRA/FOA/26/INV/113) and the other a negative balance of US \$320 (THA/FOA/26/INV/103). Pursuant to Decision 17/22, project overruns are not allowed.

### **Other Issues**

12. The Secretariat identified issues associated with the submissions of the implementing agencies concerning the re-programming of institutional strengthening funds, the classification of projects as completed, and the line of grant projects of the World Bank.

### Re-programming of Institutional Strengthening Funds

13. UNEP's cover fax indicated that unspent funds from any phase of an institutional strengthening project are always reprogrammed into next phase once it is approved, therefore, there are no funds available for return from institutional strengthening projects. The Executive Committee may wish to request UNEP to clarify what is meant by re-programming of unspent institutional strengthening funds.

### Classification of Projects as Completed

14. In its review of the reports of the agencies, the Secretariat noted that it appeared that several projects were not completed and the balances, especially those obligated, appeared to be for projects still underway. The Secretariat requested clarification from the agencies.

15. For example, the World Bank provided clarifications on the status of completion of the Samsung project in Indonesia (IDS/21/FOA/INV/52). This project was reported completed as of December 1999. The Bank indicated that the completion date for Samsung project was prematurely reported. Although Samsung phased out the use of CFC-11, for the foam component of the project, this was done without the cyclopentane equipment from the project and the Bank would return the entire funding for the foam component, but it did not specify when these funds, which are no longer obligated, would be returned.

16. The World Bank further explained that its remaining balances for most of its completed projects with balances are funds being withheld from enterprises after completion as a leverage to ensure that they meet all their commitments such as equipment disposal, providing receipts for all cost items, providing information for project completion reports, or start-up of sustained, non-ODS-based production. It added that occasionally, there were unforeseen events that prevented one last part of the project from being completed. The Bank stated that Decision 28/2(a) did not

apply to most of its completed projects with balances because the decision occurred after the project was physically completed. This could mean that the definition of project completion might not apply to projects completed, or perhaps even those approved, before July 1999.

17. Decision 28/2 requires that no further use of CFCs is in evidence, that the alternative product is being produced and/or production has begun, and that the CFC-using equipment has been destroyed-dismantled-rendered unusable with CFCs. Decision 28/2 also reaffirmed Decision 22/38 (May 1997) which required that completion reports should indicate if the equipment had been destroyed. The Executive Committee first defined completion at its 17<sup>th</sup> Meeting in July 1995 as part of a standardised format for progress reporting. Decision 17/22 established project completion as when projects were commissioned and the ODS phased out. Before that time, it was generally assumed that when the project was commissioned, the equipment would have been destroyed so the beneficiary could not re-phase in ODS use and that the alternative production had begun. The decision at the 28<sup>th</sup> Meeting was needed to further specify what had assumed to be the case at the time of project commissioning. Agencies had reported projects completed since the first investment project was reported completed as of May 1993.

#### Line of Grant Projects

18. The Executive Committee approved line of grant projects in its first years of operation for the implementation of the World Bank. This was the Bank's preferred method of operation as it gave maximum flexibility for the agency to determine how the funds were spent without specific projects necessarily being identified in advance.

19. The Bank has indicated that the projects contained in the lines of grants to Jordan and Tunisia had been fully disbursed with no overall project overruns. Project overruns are not allowed pursuant to Decision 17/22. Line of grant projects approved at the 7<sup>th</sup> Meeting for Jordan (2 projects) and Tunisia (3 projects) are listed in the Bank's report on completed projects with balances. The Secretariat reviewed all of the projects in the Bank's progress report for each of these lines of grants. Annex I provides a summary of the individual projects and the overall total approved against the total disbursed.

20. The Bank indicated additional adjustments to these projects since its progress report amounting to US \$31,380 less in disbursements for the Jordan line of grant and US \$434,427 more in disbursements for the Tunisian line of grant. This would mean that the total balance that should be returned to the Fund from the Jordan line of grant is US \$299,638. With the additional adjustments to the Bank's line of grant for Tunisia, the project appears to have been overrun by US \$399,673.47. The Secretariat provided a copy of Annex I for the Bank to resolve. That resolution is still pending.

21. As indicated in document UNEP/OzL.Pro/ExCom/35/17, the Bank is implementing a new web-based reporting system through which it plans to resolve issues related to the actual level of approval of projects contained in lines of grants from the first years of the Fund.

## **RECOMMENDATIONS**

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

1. Note the report contained in UNEP/OzL.Pro/ExCom/35/14.
2. Note the levels of funds being returned to the 35<sup>th</sup> Meeting as US \$722,454 from UNDP, US \$1,093,144 from UNIDO, and US \$2,456,916 from the World Bank.
3. Request UNEP to clarify what is meant by the re-programming of funds for institutional strengthening projects.
4. Note with concern that it appears that projects have been classified as completed that have not been completed and request the agencies to strictly adhere to Decision 28/2 when classifying all projects as completed.

**Annex I****COMPLETED PROJECTS WITH BALANCES FOR THE LINES OF GRANT FOR JORDAN AND TUNISIA****JORDAN**

<b>SHORT TITLE</b>	<b>CODE</b>	<b>TOTAL_FUND_</b> <b>APPROVED</b>	<b>FUND_DISBURSED1</b>	<b>Balance</b>
LPG purification at Jordan Refinery Company	JOR/ARS/07/INV/12	\$700,000.00	\$801,071.00	(\$101,071)
Household and Toiletries	JOR/ARS/07/INV/13	\$135,000.00	\$149,582.00	(\$4,582)
Haddad and Sons Inc.	JOR/ARS/07/INV/14	\$250,000.00	\$277,000.00	\$27,000)
Refrigeration	JOR/FOA/07/INV/05	\$0.00	\$0.00	0
International Foam Industries Co. Ltd.	JOR/FOA/07/INV/06	\$0.00	\$0.00	0
Kolaghassi Foam and Mattress Factory Co.	JOR/FOA/07/INV/08	\$142,000.00	\$168,418.00	(\$46,418)
Engineering support	JOR/FOA/07/TAS/07	\$73,000.00	\$70,810.00	\$2,190
Recovery & recycling	JOR/REF/07/DEM/10	\$0.00	\$0.00	0
Air conditioning, commercial and domestic refrigeration (1992)	JOR/REF/07/PRP/09	\$500,000.00	\$54,861.00	\$445,139
NOU	JOR/SEV/07/INS/11	\$170,000.00	\$170,000.00	0
<b>TOTAL</b>		<b>\$1,970,000.00</b>	<b>\$1,691,742.00</b>	<b>\$268,258</b>
Adjustments since the Progress Report		0	(\$31,380.00)	\$31,380
<b>GRAND TOTAL</b>		<b>\$1,970,000.00</b>	<b>\$1,660,362.00</b>	<b>(\$299,638)</b>

**TUNISIA**

<b>SHORT TITLE</b>	<b>CODE</b>	<b>TOTAL_FUND_</b>	<b>FUND_DISBURSED1</b>	<b>Balance</b>
Aerosol sector workshop	TUN/ARS/07/INV/04	\$289,995.00	\$262,283.36	\$27,711.64
Foam demonstration	TUN/FOA/07/INV/05	\$160,000.00	\$218,354.28	(\$58,354.28)
Tabrid foam project	TUN/FOA/07/INV/06	\$580,000.00	\$228,379.44	\$351,620.56
Refrigeration Maintenance	TUN/REF/07/TAS/07	\$380,045.00	\$351,570.79	\$28,474.21
TAS HFC-134a refrigerators	TUN/REF/08/TAS/08	\$99,960.00	\$404,658.60	(\$304,698.60)
NOU	TUN/SEV/08/INS/09	\$280,000.00	\$290,000.00	(\$10,000.00)
<b>TOTAL</b>		<b>\$1,790,000.00</b>	<b>\$1,755,246.47</b>	<b>\$34,753.53</b>
Adjustments since the Progress Report		0	\$434,427.00	(\$434,427.00)
<b>GRAND TOTAL</b>		<b>\$1,790,000.00</b>	<b>\$2,189,673.47</b>	<b>\$399,673.47</b>

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