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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-sixth Meeting
Montreal, 20-22 March 2002

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 are available upon request.

Funds being returned to the 36th Meeting

3. The implementing agencies have indicated that they will be returning a total of US \$4,131,197 including agency fees to the 36th 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.

Agency	Funds from Completed Projects (US\$)	Funds from Cancelled Projects (US\$)	Funds from Agency Fees (US\$)	Total Funds to be Returned to the 36th Meeting (US\$)
UNDP	1,484,773	915,525	318,183	2,718,481
UNEP	0	0	0	0
UNIDO*	217,204	0	25,732	242,936
World Bank	303,284	532,200	334,296	1,169,780
TOTAL	2,005,261	1,447,725	678,211	4,131,197

* Funds from cancelled projects include the funds returned from a cancelled component of an ongoing project. Based on an agency support cost of 13 per cent applied to the returned project balances except one whose original budget was over US \$500,000 and thus 11 per cent was applied on the returned funds since these funds minus the original approval were part of the 11 per cent agency fee.

Projects with Balances by Year the Project was Completed

4. 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			1	
1997			3	
1998	7	0	20	14
1999	46	0	21	15
2000	117	0	48	19

5. The table above shows that there are several projects completed over one year ago that have not been financially closed. There remains 41 projects that still have balances but were completed over two years ago; and in three cases over three years ago; and in one case over four years ago. The Executive Committee has decided that all remaining balances should be returned 12 months after project completion.

Cancelled Projects with Remaining Balances

6. UNDP has seven cancelled projects with remaining obligated balances totalling US \$370,463. UNIDO has six cancelled projects with remaining balances totalling US \$956,440 of which US \$827,840 is un-obligated. These agencies indicated that they were in the process of closing these accounts.

Obligated and Un-obligated Balances

7. 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	4,316,367	0
UNEP	0	0
UNIDO	2,558,133	2,514,724
World Bank	13,697,161	115,879
TOTAL	20,571,661	2,630,603

8. All of the agencies reported the level of obligated and un-obligated balances for their completed and cancelled projects. UNDP and UNEP indicated that they had no un-obligated balances. US \$11.2 million of the World Bank's obligated balances of US \$13.7 million is for the annual tranches of multi-year agreements for China (CFC production and halon) and India (CFC production).

Other Issues

9. The Secretariat identified issues associated with the submissions of the implementing agencies concerning unaccounted balances and agency support costs. UNIDO had unaccounted balances totalling US \$1,675,295 in its original submission to the 36th Meeting. UNIDO subsequently accounted for these balances as they represented project disbursements.

Agency support costs

10. 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 for supports, the implementing agencies should provide an explanation and return the balance of funds (Decision 35/13(k)). The Secretariat provided all agencies a list of cancelled projects for which balances had not been returned and projects

completed 12 months previously that had remaining balances along with an additional column of the amount of agency support costs approved by project. Agencies were requested to provide information about the disbursements against these amounts and any balances that have been returned or would be returned to the 36th Meeting. UNDP, UNEP and the World Bank provided the requested information. UNIDO did not complete the requests column but stated that “UNIDO charges support cost on actual expenditures (disbursements plus obligations) only [since] agency support costs are not charged to uncommitted balances.”

11. The World Bank sent a mission to the Secretariat in February. During the review by the Secretariat and World Bank of agency support costs, it was revealed that agency support costs were deducted against transfers to the World Bank for projects approved before the Bank switched from a cost-reimbursable administrative support system to the current 13 per cent agency fee system as modified at the 26th Meeting. The Treasurer should be requested to transfer US \$616,208 to the Bank to account for this.

12. Pursuant to Decision 35/13(k), the World Bank provided in its report explanations about the amount of agency support costs incurred against cancelled projects. The Bank is requesting to maintain support costs assigned to financial intermediaries for project appraisal after the project is approved by the Executive Committee but before the Bank clears the project for implementation (generally 1 to 2 per cent of project costs) as well as the costs to cover Bank and financial intermediary supervision missions and exchanges between the financial intermediary, the Bank, the Government, and the enterprise. In total, the Bank is requesting that US \$381,148 should be transferred to it for agency fees for costs incurred for cancelled projects.

13. The World Bank also indicated that the agency fee charges against savings in project budgets should not be returned since the full project was implemented. It is requesting that the agency support costs against savings should be returned to the Bank for those projects where the Secretariat has deducted such amounts from transfers to the Bank by the Treasurer. The Bank is requesting that US \$184,744 should be transferred to it for agency fees from project savings.

14. As indicated above with regard to UNIDO’s response concerning agency support costs, UN organisations charge support costs only on actual expenditures. All UN agencies have returned agency support costs for project savings. The World Bank should be requested to return agency support costs from savings and cancelled projects.

15. The total amount of funds approved for agency support costs are provided below.

Agency	Approved Agency Support Costs (US\$)	Level of Funds Available for Agency Use Based on Disbursements (US\$)	Approved Agency Support Costs pending Disbursements as of 31 December 2000 (US\$)
UNDP	40,916,287	25,699,783	15,216,504
UNEP	6,968,310	4,190,610	2,777,700
UNIDO	31,515,019	19,439,383	12,075,636
World Bank*	42,089,872	25,200,021	16,889,851
Total	121,489,488	74,529,797	46,959,691

* Exclude country programme and project preparation that the World Bank included in their administrative budgets prior to July 1995, the 17th Meeting of the Executive Committee.

16. The level of funds approved for support costs is not available until an expenditure is recorded against the approved support costs. UN agencies apply this rule. Therefore, based on disbursements through 2000, there remains significant levels of support costs, compared to the original level approved, for all implementing agencies. Implementing agencies have had complete discretion on how these funds are used. The World Bank indicated that it does not apply this rule.

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/36/7/Rev.1.
2. Note that the levels of funds being returned to the 36th Meeting are US \$2,400,298 from UNDP and agency support costs of US \$318,183; US \$217,204 from UNIDO and agency support costs of US \$25,732; and US \$835,484 from the World Bank and agency support costs of US \$334,296.
3. Request the Treasurer to transfer US \$616,208 to the World Bank for agency support costs charged prior to the 17th Meeting.
4. Note the funds withheld from the World Bank for agency support costs in the amounts of US \$184,744 and US \$381,148, respectively from project savings and cancelled projects.
