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Executive Committee of
the Multilateral Fund for the
Implementation of the Montreal Protocol

Tenth Meeting
Montreal, 28-30 June 1993

WORLD BANK FINANCIAL REPORT

This document includes:

- Comments and Recommendations from the Fund Secretariat
- World Bank Financial Report and Statements

COMMENTS AND RECOMMENDATIONS FROM THE FUND SECRETARIAT

Comments

1. Per its agreement with the Executive Committee (UNEP/OzL.Pro/ExCom/5/Inf.2, page 3, paragraph 12), "the World Bank will present its detailed annual financial statements expressed in United States dollars, externally audited, as part of its annual report . . . ." The enclosed financial report and statements are submitted to the Executive Committee in fulfilment of this requirement for calendar year 1992.

2. In their letter report, the independent accountants stated that they had conducted an audit of the World Bank's Ozone Projects Trust Fund and they are of the opinion that the fund balance, cash receipts and expenditures, and the cash flows are presented fairly, in all material respects. The report notes that the financial statements were prepared on the modified cash basis of accounting and are not intended to be a presentation in conformity with generally accepted accounting principles.

3. The Statement of Cash Receipts, Expenditures and Fund Balance presents receipts (approvals by the Executive Committee and investment income) and expenditures for project and administrative costs both for the year 1992 and since 9 July 1991. The report reflects the disbursements to Article 5 countries for project preparation advances and investment projects under the category "Project Costs". The report indicates that US $513,589 were disbursed for this purpose through the end of 1992.

4. "Administrative Costs" are administrative, legal and financial costs including staff and consultants' time (including overhead); travel in administering Multilateral Fund activities; the costs of OORG technical reviews and meetings (travel, per diem, honorarium, etc.); and, project and country programme preparation costs. Almost 90 percent of total expenditures as at the end of 1992 were expended on administrative costs. Approximately one-third of administrative costs are for benefits and overhead.

5. The Notes to Financial Statement section provides information about organization, basis of accounting, contributions, investment income and disbursements. It indicates that agreements have been signed by the Bank for the implementation of project preparation advances and investment projects amounting to US $8,100,000.

6. A listing of projects by amount allocated is also provided in this section. The Bank has also provided detailed accounting in its progress report table on planned approvals/commitments by quarter where expenditures by country are presented to the nearest dollar.

Recommendation

7. Since approvals of the Committee are provided on a project-by-project or activity-by-activity basis, a financial statement which includes such information would facilitate the monitoring function which is becoming more crucial as project implementation increases.

WORLD BANK OZONE PROJECTS TRUST FUND

FINANCIAL REPORT AND STATEMENTS

BANK-IMPLEMENTED MONTREAL PROTOCOL OPERATIONS

as of December 31, 1992

Global Environment Coordination Division, Environment Department

THE WORLD BANK

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AS ADMINISTRATOR FOR THE OZONE PROJECTS TRUST FUND

REPORT AND FINANCIAL STATEMENTS
December 31, 1992

Price Waterhouse
(International Firm)

The Hague
Beijing
Hong Kong
London

New York
Tokyo
Washington

Price Waterhouse

Report of Independent Accountants

April 30, 1993

To International Bank for Reconstruction and Development
as Administrator for the Ozone Projects Trust Fund

We have audited the accompanying statement of cash receipts, expenditures and fund balance of the Ozone Projects Trust Fund for which the International Bank for Reconstruction and Development (the Bank) acts as Administrator for the year ended December 31, 1992 and for the period July 9, 1991 (date of inception) to December 31, 1992 and the statement of cash flows for the year ended December 31, 1992. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the modified cash basis of accounting and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the fund balance of the Ozone Projects Trust Fund as administered by the International Bank for Reconstruction and Development at December 31, 1992, and the cash receipts and expenditures for the period July 9, 1991 (date of inception) to December 31, 1992 and the cash flows for the year ended December 31, 1992, on the basis of accounting described in Note 2.

Price Waterhouse
(International Firm)

OZONE PROJECTS TRUST FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES AND FUND BALANCE

Expressed in US dollars

	Year Ended December 31, 1992	July 9, 1991 (inception) to December 31, 1992
Receipts		
Contributions	$ 37,315,000	$ 42,315,000
Investment income	630,569	747,310
Total receipts	37,945,569	43,062,310
Expenditures		
Project costs:		
Special account	250,000	250,000
Consultant fees	263,589	263,589
Administrative costs:		
Salaries	382,260	565,360
Consultant fees	783,600	1,238,348
Travel	373,743	670,668
Contractual services	249,200	339,200
Benefits and overhead		
Staff	528,546	796,299
Consultants	432,804	647,605
Total expenditures	3,263,742	4,771,069
Excess of receipts over expenditures	$ 34,681,827	$ 38,291,241
Fund balance:		
Cash and investments		$ 38,888,905
Due to IBRD		(597,664)
Fund balance, as of December 31, 1992		$ 38,291,241

The accompanying notes are an integral part of this financial statement.

OZONE PROJECTS TRUST FUND

STATEMENT OF CASH FLOWS

Expressed in US dollars

Cash and investments, as of January 1, 1992		$	3,609,414
Add:	Contributions received in 1992		37,315,000
	Investment Income		630,569
			41,554,983
Less:	Cumulative disbursements for 1992 (Excluding administrative costs billed by the Bank but not yet paid of $597,664 in 1992)		2,666,078
Cash and investments, as of December 31, 1992		$	38,888,905

The accompanying notes are an integral part of this financial statement.

OZONE PROJECTS TRUST FUND

NOTES TO FINANCIAL STATEMENT

December 31, 1992

Note 1 - Organization

On July 9, 1991, the International Bank for Reconstruction and Development (the Bank) entered into an agreement with the Executive Committee (Committee) of the Interim Multilateral Fund for the Implementation of the Montreal Protocol (Fund) established by the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer and to the Vienna Convention for the Protection of the Ozone Layer, wherein the Bank agreed to act as trustee of the Ozone Projects Trust Fund (OTF) to be constituted by the funds received from the Committee and to make the procedural arrangements with UNEP and UNDP for cooperation and assistance in protecting the ozone layer. The Bank will prepare a work programme in cooperation with recipient countries, UNEP and UNDP, for its activities under the arrangements for approval by the Committee on an annual basis. In addition, the Bank will assist in developing each recipient's country programme (CP) and projects to facilitate compliance with the Protocol. Upon approval of the CP by the Committee, the Bank will assist the recipient country to implement the projects contained in it. As of December 31, 1992, OTF Grants amounting to $8,100,000 have been allocated for the implementation of the following country projects:

China	-	Project Preparation Advance for China ODS Investment Project	$ 1,500,000
Malaysia	-	ODS Recycling Project	1,630,000
Mexico	-	Ozone Protection Policy and Institutional Strengthening Project	4,000,000
	-	Ozone Protection Pilot Recycling and Training Project	180,000
Philippines	-	ODS Phase Out Engineering Project	400,000
Thailand	-	ODS Phase Out Engineering Project	390,000
			$ 8,100,000

Note 2 - Basis of Accounting

The accompanying financial statement has been prepared on the modified cash basis of accounting. Contributions, investment income and project costs are on the basis of cash receipts and disbursements while administrative costs include amounts billed by the Bank but not yet paid by the OTF.

Note 3 - Contributions

The Committee arranges for the transfer of funds to the OTF for expenses incurred or to be incurred by the Bank for the implementation of approved country programmes and projects, and for the activities it undertakes pursuant to these arrangements, as soon as the funds become available. The transfers are made in US dollars or at the request of the Committee, by the deposit of notes or similar obligations denominated in US dollars and issued by the government of a Party or the depository designated by such Party, which shall be non-negotiable, non-interest bearing and payable in US dollars at their par value on demand to the OTF or in accordance with a schedule of encashment agreed by the Bank, provided that in exceptional cases and as administratively feasible on the basis of appropriate arrangements, as determined by the Bank, contributions may be made also in other currencies.

Note 4 - Investment Income

The Bank may invest and reinvest the funds pending disbursement and the income accrues to the project.

Note 5 - Disbursements

The Bank, as Administrator, observes the same procedures and requires substantially the same documentation in connection with the OTF disbursements as it does for its own affairs. The Bank is reimbursed from the resources of the OTF for the expenses incurred by it pursuant to these arrangements.