UNITED
NATIONS

EP

United Nations
Environment
Programme

Distr.
LIMITED

UNEP/OzL.Pro/ExCom/17/7/Add.1
2 July 1995

ORIGINAL: ENGLISH

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

Seventeenth Meeting
Montreal, 26-28 July 1995

FINANCIAL REPORTS OF THE IMPLEMENTING AGENCIES

This document includes Comments and Recommendations from the Fund Secretariat.

COMMENTS AND RECOMMENDATIONS FROM THE FUND SECRETARIAT

COMMENTS

1. Financial reports from the implementing agencies are presented in UNEP/OzL.Pro/ExCom/17/7. The financial reports are presented in accordance with the Executive Committee's decision at its 12th Meeting at which time a uniform format for financial reports was adopted. After a general overview, the Secretariat's comments are presented by implementing agency.

2. Although the Executive Committee has approved a uniform format for financial reports, there are still some inconsistencies. The reporting periods vary as does the treatment of the "Funds Allocated by the Executive Committee" and "Savings/Deficits" columns in the reports.

3. The uniform financial reports include essentially the same information as UNDP's and the World Bank's input to the consolidated progress report with the exception of two columns: planned commitments and savings. Both UNDP and the Bank provide disbursements in their inputs to the consolidated progress report but neither UNEP nor UNIDO do. In fact, the UNDP financial report's reporting period for disbursements is through 31 December 1994 while its input to the consolidated progress report has a reporting period through 20 June 1995. For the World Bank, the financial report has a reporting period through 31 May 1995, while the expenses reported in the progress report have a reporting period through 31 March 1995.

UNDP

4. The UNDP financial report indicates that UNDP has disbursed approximately 16 per cent of funds allocated by the Executive Committee. UNDP was allocated US $90.5 million by the Executive Committee through the end of 1994. Of this total, US $61.5 million was allocated for investment projects and US $29 million for work programme activities and administrative costs. Overall, UNDP has disbursed about US $5.9 million for investment projects (a 10 per cent disbursement rate) and US $9 million for administrative support costs and work programme activities (a 31 per cent disbursement rate).

5. UNDP's financial report indicates US $286,507 in savings from completed projects. Although the actual savings is US $300,353 due to a range error in the UNDP worksheet, UNDP states that the expenses on these savings could be forthcoming up to a year after a project is completed and therefore this amount is not available for offset against future approvals, yet.

6. UNDP does report US $559,861 from 1991-1993 interest and US $1,726,099 from 1994 interest. In its progress report, UNDP states that these funds are available for offset against approvals at the 17th Meeting.

7. For all 302 activities (work programme and investment activities together) in UNDP's portfolio, 83 (27 per cent) have been completed of which 18 exceeded their approved budgets. The rate of disbursement for ongoing activities approved in 1991 is 36 per cent. The rate falls to 26 per cent for ongoing activities approved in 1992; then to 22 per cent for 1993 approvals and 2 per cent for 1994 approvals. None of the project overruns caused project costs to exceed US $500,000 which requires Executive Committee approval.

8. Eleven investment projects have been reported completed for which 98 per cent of the funds allocated were disbursed and four projects slightly exceeded their approved budgets. Of those projects listed as ongoing, no expenditures are reported for the project, "Trichlorethane Elimination at Matsushita Main Plant", approved in 1993. Approximately 22 per cent of the funds allocated for the 13 investment projects approved in 1993 have been disbursed. Of the 122 projects approved in 1994, only seven (tow of which were completed) have any expenditures and 50 are still in the signature process.

9. Twelve of the 35 ongoing activities approved in 1993 have not yet reported any expenditures. No expenditures were reported for seven activities approved in 1992 and 1991. Upon review of those activities based on information supplied in the UNDP progress report, it was determined that expenditures had occurred in all activities except the three regional MAC recycling demonstration projects. An agenda and course curriculum is under development for these regional demonstration projects with the assistance of USEPA.

UNEP

10. The UNEP financial report indicates that UNEP has disbursed approximately 60 per cent of funds allocated by the Executive Committee. UNEP was allocated US $10.6 million by the Executive Committee through the end of 1994. Of this total, US $6.4 million was allocated for work programme activities (UNEP does not implement investment projects).

11. The UNEP financial report's reporting period is through the end of 1994 but it includes approvals from March 1995.

12. On an annual basis, UNEP's rate of disbursement is 85 per cent of the funds approved in 1991; 95 per cent for funds approved in 1992; 72 per cent for 1993; 13 per cent for 1994; and no funds have been disbursed for 1995 approvals.

13. Of the 132 activities approved by the Executive Committee for UNEP implementation, the financial report lists 52 activities as completed (39 per cent). Nine projects had overruns totaling US $150,500 which are more than offset by the ten projects with underruns totaling US $260,300. None of the project overruns caused project costs to exceed US $500,000. Based on this information, savings totaling US $109,800 (excluding agency support costs) from completed activities might be available for offset against future approvals. UNEP reported no interest earned during the reporting period for funds held by UNEP for approved activities.

14. UNEP has exceeded its travel budgets for the last three years by a total of US $53,800. It also exceeded its budgets for two regional workshops, the 1993 Advisory and 1994 AdHoc Group Meetings by a total of US $68,500. The other overruns were for a total of US $14,500 and occurred in country programme preparations that were originally budgeted for US $13,000 each.

15. UNEP's financial report also indicates that 10 activities had underruns. The regional workshop for Arabic-speaking countries had an underrun of US $104,000 of an original budget of US $246,000. Advisory Group meetings in 1991 and 1992 had some significant underruns of US $50,800 and US $29,000 respectively on modest budgets of US $75,000 and US $35,000 each. The remaining underruns were for country programme preparation in six countries totaling US $55,000.

16. Disbursements were reported on all activities approved before 1993. Expenditures are reported for only 14 of the 43 activities approved for UNEP implementation in 1994. Of note, disbursements were not made on 10 institutional strengthening projects and 15 country programme preparations. Three of the 26 activities approved in 1993 did not have reported expenditures through the end of 1994, including:

- Training for Refrigeration Repair Technicians (Burkina Faso)
- Ozone Focal Point [institutional strengthening] (Senegal)
- Training and Upgrading for Repair Technicians (Senegal)

UNIDO

17. The UNIDO financial report indicates that UNIDO has disbursed approximately 30 per cent of funds allocated by the Executive Committee. UNIDO was allocated US $48.9 million by the Executive Committee through its 16th Meeting. Of this total, US $39.7 million was allocated for investment projects and US $9.2 million for work programme activities and administrative costs. UNIDO has disbursed US $11.7 million towards investment projects (29 per cent disbursement rate) and US $3 million towards work programme and administrative costs (33 per cent disbursement rate). Through its 16th Meeting, the Executive Committee has allocated for UNIDO work programme activities US $2.6 million for project preparation, US $1 million for technical assistance activities, and US $5.6 million for administration support costs.

18. Of the 74 projects and activities approved for UNIDO implementation, 16 activities have been completed--all project preparation activities. Seven of the completed activities exceeded their approved budgets and underruns were reported for the remaining nine completed activities. Overruns totaled US $43,131 and ranged from US $2,128 to US $13,154 with the largest overrun for the Domestic Refrigeration Project Preparation in Iran. None of the project overruns caused project costs to exceed US $500,000.

19. On an annual basis, UNIDO's rate of disbursement for its two 1993 approvals is 99 per cent for the Advechems Project in Egypt and only 6 per cent for the Domestic Refrigerator conversion project in Iran. UNIDO has disbursed 34 per cent of the amount approved for the 16 investment projects approved in 1994. No disbursements were reported for the following five 1994 investment project approvals: ITI Mankapur (India), National Refrigeration Company (Jordan), Nanjing Fire Extinguishers (China), Syrian Batric Company (Syria), and Barada General Company (Syria). The first two activities were approved in July 1994 and the last three in December 1994.

20. Disbursements were reported for all of the nine ongoing work programme activities approved in 1993. The disbursement rate is 46 per cent. No disbursements were reported for six project preparations and two technical assistance activities of the 27 approved in 1994. The disbursement rate for 1994 approvals is 18 per cent. All but one of the four project preparations approved in 1995 reported disbursements. The overall disbursement rate for 1995 approvals is 27 per cent.

21. Based on the information provided in the financial report, UNIDO has US $1.25 million available for project preparation in its account for ongoing activities of which it plans to commit US $315,000. UNIDO's financial report also indicates savings totaling US $289,128 (excluding agency support costs) from completed activities which might be available for offset against future approvals.

World Bank

22. The World Bank's financial report indicates that it has disbursed almost 20 per cent (US $31 million) of the funds allocated to it by the Executive Committee (US $159 million)[1]. The Bank reports that it has completed US $13 million worth of work programme and pre-investment activities.

23. Based on the information contained in its report, the Bank has disbursed approximately US $15 million of the approximately US $138 million allocated for investment projects (11 per cent disbursed) and US $16 million of the US $20 million allocated for work programme and pre-investment activities (80 per cent disbursed).

24. On an annual basis, the Bank has disbursed 32 per cent of the funds allocated for investment projects approved in 1992. The disbursal rate drops significantly for projects approved in 1993 to 8 per cent and no funds have been disbursed for any approvals in 1994.

25. The treatment of savings in the financial report may lead to some misunderstanding. According to the Committee's decision to establish a uniform financial reporting format, savings

[1] The Executive Committee has allocated US $116,231,959 plus the amount listed under "Savings/Deficit" US $42,464,592 for a total of US $158,696,551.

should only be reported for completed projects. The Bank does not report savings or deficits for its completed work programme activities.

26. The World Bank is reporting US $42 million in savings under ongoing activities. These are not savings in reality, but a peculiarity resulting from the definition of the column " Funds Allocated by the Executive Committee". The column was defined in the Executive Committee's decision to adopt a uniform format as the amount allocated by the Executive Committee and transferred by the Treasurer. The Treasurer does not transfer funds approved by the Executive Committee until the Bank determines that a transfer is needed for disbursement purposes. Therefore, the US $42 million is the amount the Bank claims has not been transferred to it by the Treasurer.

27. Since the World Bank groups projects into one or two " ODS Phase Out" projects per country, disbursements for the individual projects (sub-projects in Bank terminology) as approved by the Executive Committee are not provided in the financial report. Consequently, information on dormant "sub-projects" or savings from completed "sub-projects" are not provided in the financial report until the entire group of projects is completed. Perhaps, this may be among the reasons why the Bank is reporting from 651 to 3,000 tonnes phased out by investment projects in its progress report, no investment projects are listed as completed in the financial report.

28. It should be noted that the Bank reported US $78,673 in savings from completed projects and US $1,054,030 in accrued 1995 interest (through March) which could theoretically be made available for offset against approvals at this meeting.

RECOMMENDATIONS

29. The Secretariat recommends that the Sub-Committee on Finance should review these financial reports.

30. It is further recommended the Executive Committee should request the implementing agencies to indicate disbursements by Executive Committee approvals and to indicate savings or deficits for all completed work programme and investment project approvals.

31. It is also recommended that savings and interest reported in the financial reports should be made available for offset against approvals at this meeting of the Executive Committee to the extent possible.