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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventieth Meeting
Bangkok, 1-5 July 2013

**REPORT ON HOW TO RECORD DISBURSEMENT FOR STAGE I OF HCFC
PHASE-OUT MANAGEMENT PLANS AS PER DECISION 69/24(c)**

1. At its 69th meeting, the Executive Committee decided “to urge the implementing agencies and the Treasurer to reach an agreement with the Fund Secretariat on how to record disbursement for the implementation modality, including means of returning balances used for stage I of the HPMP for China and similar projects, in the Fund’s annual progress and financial reports and the accounts of the Fund, and to report back to the 70th meeting” (decision 69/24(c)).

2. Agencies were requested to indicate whether they could accommodate the Secretariat’s suggestion or if they had other proposals to accomplish the recording of disbursement at the enterprise level and the annual auditing of interest and accounts held by China. UNDP and UNIDO provided responses.

How to record disbursement for the implementation modality in the Fund’s annual progress and financial reports

3. UNDP agreed to include disbursement from the country to final enterprise beneficiaries for investment projects in HCFC phase-out management plans (HPMPs) in its annual progress and financial report. Other agencies did not provide a comment or input on this issue.

4. UNIDO had indicated as an input to the document on this subject, submitted to the previous meeting (UNEP/OzL.Pro/ExCom/69/35), that it did not agree to an additional column in its progress report because it would make it inconsistent with the annual account. This would not be the case since the reconciliation with the accounts would not be based on the additional column. Moreover, UNIDO provided information in the extruded polystyrene (XPS) foam tranche request submitted to the 69th meeting. Therefore, the information can be made available at the end of the year. It should be noted that the implementing agencies’ agreements allow them to request annual financial reports which would include disbursement to final beneficiaries.

5. The modality’s designation should be code (N) for national disbursement to final enterprise beneficiaries for HPMPs. The only project for which this designation is needed is the HPMP in China, but the designation is to be provided by the agency in its annual progress and financial report.

Means of recording balances returned for this modality in the Fund’s annual progress and financial reports

6. Both UNDP and UNIDO indicated that balances would be returned from the country through the agency back to the Fund as is the normal process for all projects.

How to record disbursement for the implementation modality in the Accounts of the Fund

7. The Accounts of the Fund include the audited statements of the implementing agencies. They include information as at 31 December of the year on income, disbursement/expenditures, balance and interest. Annually audited financial reports from the Country can also provide information, as at 31 December of the year, on income received by the Country, disbursement to final beneficiary enterprises, the balance of funds held by the Country, and the interest accrued by the Country on an agency basis.

8. UNDP indicated that financial reporting is at trust fund level and reflects total income received and total disbursements for the Montreal Protocol programme. This also means that the financial accounts of UNDP would not reflect the information about disbursements from the Country to the final beneficiary enterprises or interest accrued by the Country for the funds advanced to it. UNIDO had indicated that it could not be part of the agency’s accounts.

9. No agency provided input on how to record disbursement in the Accounts of the Fund. The

Treasurer, however, suggested that information should be provided by the implementing agency in the form of annual audited financial statements from the Country. The Secretariat recommended this to the agencies at its Inter-agency coordination meeting this year. The agreements of the implementing agencies allow them to request annual audited financial statements from the Country.

10. It may be recalled that the Executive Committee noted that China had stated that interest accrued could be returned to the implementing agencies or offset against future tranches (decision 69/24(a)(iii)). UNDP and UNIDO indicated their preference for offsetting these amounts. However, offsetting will not result in the financial records of the Fund accounting for the interest received from the Country as part of the annual interest of the Fund, which is the component of the triennium replenishment and the budget of the Multilateral Fund. An annually audited financial statement from the Country can provide information on the balances held on an annual basis and the interest accrued on that balance as well as the final disbursement of Fund resources to the final enterprise beneficiary. The Treasurer would have to make provisions to record interest received from a Country with the implementation modality, recording the interest specified in the annual audited financial report from the Country in the Accounts of the Fund as such, and to distinguish it from that interest reported by the implementing agencies in the annual audited financial reports. In addition to their audited financial statement the implementing agencies would need to provide the Treasurer with the annually audited financial statement from the Country to allow for separate recording of interest accrued on balances accumulated by it.

11. The designation of a modality (N) for national disbursement to final enterprise beneficiaries would also mean that the Country would provide an annual financial report through the agency to the Treasurer.

Recommendation

12. The Executive Committee may wish to:

- (a) Note the Report on how to record disbursement for stage I of HCFC phase-out management plans (HPMPs) as per decision 69/24(c) contained in UNEP/OzL.Pro/ExCom/70/50;
- (b) Request the implementing agencies to:
 - (i) Designate the implementation modality (N) for national disbursement of funding for HPMPs where the Country itself disburses to final beneficiary enterprises for investment projects;
 - (ii) Provide an extra column in their annual progress and financial reports for national disbursement to a final beneficiary;
 - (iii) Submit an annual audited financial statement of the Country concerned to the Treasurer for all projects where there is a national disbursement implementation modality; and
- (c) Request the Treasurer to record interest received from a national disbursement modality in the Accounts of the Fund.
