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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-sixth Meeting
Montreal, 9-13 May 2016

**ISSUES RELATING TO THE RECORDING OF DISBURSEMENTS AND PLANNED
COMPLETION DATES OF TRANCHES OF A MULTI-YEAR AGREEMENT
(DECISION 75/10(C))**

Background

1. At the 75th meeting of the Executive Committee, during the discussion on the consolidated progress report as at 31 December 2014¹, the Secretariat reported that while reviewing the financial data of the progress reports, it was noted that although implementing agencies were reporting disbursement by tranche, in some cases disbursement made for a specific activity was charged against a tranche under which the activity was not approved. Several members said that requiring implementing entities to record disbursements under the tranche for which the related activities had been approved could create difficulties for those entities and would require seeking approval from the Committee for each postponement of the completion date. However, other members recalled that each tranche had planned activities associated with it and that it was the verification of the progress in those activities that allowed for the approval of subsequent tranches of funding. The implementing agencies indicated that for reasons of efficiency, some agencies pooled funding tranches and, thus, the suggested reporting requirements for the tranches could not be complied with. In responding, the Secretariat explained that it was necessary to associate disbursement with the activities in a tranche because of the requirement to achieve the disbursement of 20 per cent of a tranche before subsequent tranches could be approved. He also indicated that planned completion dates were provided by the implementing agencies and that the Secretariat had highlighted the large number of tranches for which planned completion dates had changed.

2. Further to discussions in plenary and in an informal group, the Executive Committee *inter alia* requested the Secretariat to prepare a paper for the 76th meeting to inform the Executive Committee of issues relating to the recording of disbursements for activities associated with tranches of multi-year agreements (MYAs) and the planned completion dates of tranches (decision 75/10(c)).

3. In response to decision 75/10(c), the Secretariat discussed the issue with the implementing agencies at the Inter-agency coordination meeting². Based on the outcomes of the discussions and

¹ UNEP/OzL.Pro/ExCom/75/12.

² Montreal, 1 – 2 March 2016.

additional information collected, the Secretariat has prepared the present document. It describes the methodologies for recording disbursements used by the implementing agencies; discusses the planned completion dates of tranches of MYAs; presents a proposal for streamlining the progress report database; and, the recommendations for the Executive Committee.

Methodologies for recording disbursements

4. Currently, implementing agencies are using the following two methodologies for managing funds and recording disbursements related to activities:

- (a) One methodology, used by UNDP and the World Bank, consists of opening one account for each stage I of a country's HCFC phase-out management plan (HPMP) to receive funding of all the tranches in the stage when they are approved. This methodology facilitates implementation of the HPMP by allowing more flexibility in the use of available balances among tranches. However, this presents a burden when reporting progress on implementation of activities under the relevant tranche, as the implementing agencies have to identify each payment manually and charge it against the tranche under which the activity has been approved; and
- (b) The other methodology, used by UNEP and UNIDO, consists of opening one account for each approved tranche of a stage of an HPMP. This methodology could result in balances remaining from individual tranches once the tranches are completed. Since balances for a stage of an HPMP are not returned until after the completion of the final tranche, any reprogramming would have to occur when a tranche is completed or if it is known that the remaining balances would not be used.

5. In analysing both methodologies, the Secretariat concluded that separate accounting on a tranche basis would be necessary to ascertain that the 20 per cent disbursement threshold of a tranche has been met. While UNDP and the World Bank had made estimates to assess whether the 20 per cent threshold had been met at the tranche level, the actual level of disbursement could not be confirmed. A review of the financial data reported in annual progress reports with that reported under tranche implementation progress reports indicated that 13 of the 29 HPMPs with three or more tranches approved had a tranche approved with a funding disbursement rate below the required 20 per cent.

6. A change in recording disbursements at the tranche level would require a change in the methodology used by UNDP and the World Bank. UNDP indicated that this would raise difficulties as its operations are de-centralized at the country office level. Consultancy contracts and equipment purchased for the overall implementation of the stage of an HPMP would have to be split between various tranche related codes when being entered into UNDP's accounting systems.

7. The implementing agencies indicated that a decision by the Executive Committee might be required to ensure that all agencies report disbursements at the tranche level, and that such systems should be established, if not in place, for stage II and subsequent stages of HPMPs.

Planned completion dates

8. At the 75th meeting, the Secretariat reported that between the 2013 and 2014 progress reports of the 482 ongoing projects (excluding institutional strengthening projects and project preparation requests), 284 have extended the planned date of completion. The Secretariat suggested that implementing agencies should better assess the implementation period of the tranches and propose more realistic dates for their completion. It further noted that with the planned completion dates, cornerstone of the monitoring system, the Executive Committee can assess the progress on implementation of activities and take remedial measures as required to expedite the implementation and completion of activities.

9. The “planned completion date per proposal” should be provided by the implementing agencies at the time of the submission of the tranche request and cannot be changed once the Executive Committee approves the tranche request. On this basis, the implementing agencies agreed to provide the “planned completion date per proposal” in the tranche submission proposal while updates on the latest planned completion dates should continue to be provided, with accompanying delays explained, in annual progress reports.

Streamlining the progress report database

10. In reviewing the progress report submitted to the 75th meeting, the Secretariat noted that the progress report format can be further streamlined by removing the “MYA” spreadsheet to avoid duplication of information with the project “Database” spreadsheet³. The bilateral and implementing agencies welcomed the proposed change as it would avoid duplication of information, reduce the risk of data inconsistencies, and reduce the time require to prepare the annual progress and financial reports.

RECOMMENDATIONS

11. The Executive Committee may wish:

- (a) To note the paper on Issues relating to the recording of disbursements and planned completion dates of tranches of a multi-year agreement (decision 75/10(c)) contained in document UNEP/OzL.Pro/ExCom/76/11;
- (b) To request bilateral and implementing agencies:
 - (i) To establish a system, if not already in place, to ensure that the 20 per cent disbursement threshold of a tranche has been achieved, for all stage II and subsequent stages of HCFC phase-out management plans (HPMPs);
 - (ii) To report the same funding disbursement data in a tranche request and in the annual progress reports;
 - (iii) To indicate the “planned completion dates” when submitting tranche requests of HPMPs that reflect when activities in the tranche are expected to be completed, on the understanding that any change would have to be approved by the Executive Committee, and that updates of latest planned completion dates of tranches will continue to be reported in annual progress reports; and
- (c) To further note the deletion of multi-year agreement spreadsheets contained in the annual progress and financial report format as the information on activities and disbursements contained therein were also provided on the tranches of HPMPs.

³ The implementation progress reported in the “Remark column” and/or “Latest remark column” is identical for the project “Database” and the “MYA” spreadsheets.