



**United Nations
Environment
Programme**

Distr.
LIMITED

UNEP/OzL.Pro/ExCom/44/4
28 October 2004

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-fourth Meeting
Prague, 29 November-3 December 2004

BALANCES REPORT AND AVAILABILITY OF RESOURCES

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1. In abolishing the two sub-committees, the Executive Committee decided that it would start each meeting with an organizational session which would examine *inter alia* the availability of resources for the meeting (Decision 41/92). The amount of resources available to the Executive Committee consists of the cash and promissory notes recorded in the Status of Contributions (UNEP/OzL.Pro/ExCom/44/3) plus the amount of funds returned from projects in the balances report.

2. This document presents a summary of the financial adjustments indicated by the implementing agencies and agreed by the Fund Secretariat along with statistical data required for projects with balances held over 12 months after project completion as required by Decision 28/7 based on the reporting format developed pursuant to Decision 31/2. It specifies the amount of obligated and un-obligated balances and discusses issues arising from the review of these balances.

3. The document concludes by noting the total amount of resources in cash, promissory notes, and returned balances that are available to the Executive Committee for approval at its 44th Meeting.

Funds being returned to the 44th Meeting

4. The implementing agencies have indicated that they will be returning a total of US \$443,103 to the 44th Meeting plus agency support costs. This sum arises from completed projects with balances, un-obligated funds from cancelled projects, and other adjustments.

5. Table 1 indicates the level of funds being returned by agency.

Table 1

FUNDS RETURNED TO THE 44TH MEETING (US\$)

Agency	Funds from Completed Projects	Funds from Cancelled Projects	Funds from Ongoing Projects	Adjustments	Total Funds to be Returned to the 44th Meeting
UNDP	36,649	40,036	0	(156,233)	(79,548)
UNEP	286,351	0	0	0	286,351
UNIDO	161,747	0	18,982	0	180,729
World Bank	15,571	0	40,000	0	55,571
TOTAL	500,318	40,036	58,982	(156,233)	443,103

6. UNDP is requesting that some funds previously returned in error should be returned to it in accordance with Decision 43/8 (e), which states that funds returned in error might be returned to the implementing agency in line with previous practices. The level of funds being returned is as follows:

Project short title	Project Number	Funds to be Returned to UNDP (US\$)
Project preparation in the foam sector in Brazil	BRA/FOA/24/PRP/98	691
Recovery and recycling project in Colombia	COL/REF/17/TAS/19	8,340
Dalian No. 1 foam project in China	CPR/FOA/15/INV/97	2,035
Zhejiang Wanpeng Clique foam project in China	CPR/FOA/22/INV/202	1,342
Zhoushan Fuchuan foam project in China	CPR/FOA/22/INV/206	5,097
Baoding foam project in China	CPR/FOA/23/INV/228	41,342
Harbin Dongguang foam project in China	CPR/FOA/29/INV/318	26,794
Zhongqi Jinan foam project in China	CPR/FOA/29/INV/331	11,000
Shandong Anqiu foam project in China	CPR/FOA/29/INV/332	346
Project preparation in the domestic refrigeration subsector in China	CPR/REF/30/PRP/344	3,848
Baoshi/Shijazhuang solvent project in China	CPR/SOL/19/INV/172	1,678
Institutional strengthening project in India	IND/SEV/08/INS/02	17,617
Project preparation in the rigid foam subsector in Malaysia	MAL/FOA/30/PRP/133	8,663
Umbrella project in the refrigeration sector (Lim Yew, Exquisite, FMC, Noblelane) in Malaysia	MAL/REF/18/INV/73	4,676
Project preparation in the refrigeration sector in Malaysia	MAL/REF/30/PRP/134	6,329
Renewal of institutional strengthening project in Mexico	MEX/SEV/31/INS/97	8,255
Project preparation in the foam sector in Philippines	PHI/FOA/30/PRP/60	8,118
Fumigant demonstration project in Zimbabwe	ZIM/FUM/27/DEM/17	62
Total		156,233

7. The Secretariat noted that there have been requests from UNDP for refunds of funds returned in the context of the balances report at every Executive Committee Meeting since the 38th Meeting. UNDP indicated that this was mostly caused by funds being returned to the Fund prior to the project's financial completion. UNDP noted that it had discontinued this practice with an effective date of the 44th Meeting and it does not expect to request the refund of returned funds in the future.

Projects with Balances by Year of Completion

8. Table 2 indicates the number of projects with balances that are still being held by the implementing agencies, and the years in which they were completed.

Table 2

BALANCES HELD BY YEAR OF PROJECT COMPLETION

Year Completed	Number of Projects and Amount of Balances by Agency									
	UNDP		UNEP		UNIDO		World Bank		TOTAL	
	Number	US \$	Number	US \$	Number	US \$	Number	US \$	Number	US \$
1998	1	35	0	0	0	0	0	0	1	35
1999	2	2,722	0	0	0	0	0	0	2	2,722
2000	2	38,245	0	0	0	0	0	0	2	38,245
2001	3	6,699	1	5,318	0	0	0	0	4	12,017
Projects completed over 2 years ago	8	47,701	1	5,318	0	0	0	0	9	53,019
2002	21	306,166	1	20,927	2	18,405	10	3,430,671	34	3,776,169
2003	80	2,207,610	3	348,581	4	393,245	6	4,432,334	93	7,381,770
Sub-Total	109	2,561,477	5	374,826	6	411,650	16	7,863,005*	136	11,210,958
Cancelled projects	2	342,848	0	0	1	113,261	0	0	3	456,109
TOTAL	111	2,904,325	5	374,826	7	524,911	16	7,863,005*	139	11,667,067

* Including obligated balances of US \$5,237,509 for multi-year projects

9. Table 2 shows that implementing agencies had balances totalling US \$11,210,958 for projects completed at least 12 months previously and US \$456,109 for cancelled projects.

10. There were 9 projects with balances from projects completed over 2 years previously totalling US \$53,019. This is the lowest amount of balances held by agencies for projects completed over 2 years previously since the 28th Meeting in July 1999 when the Executive Committee requested reports on projects with balances.

Obligated and Un-obligated Balances

11. The amounts of balances classified as obligated and un-obligated are as follows for the four implementing agencies:

Table 3

OBLIGATED AND UN-OBLIGATED BALANCES BY AGENCY (US\$)

Agency	Obligated Balances	Un-obligated Balances
UNDP	2,904,325	0
UNEP	337,789	37,037
UNIDO	188,505	336,406
World Bank	6,488,350	1,374,655
TOTAL	9,918,969	1,748,098

12. Of the US \$11,667,067 in balances from completed projects, US \$9,918,969 is obligated meaning that these funds are expected to be spent. UNDP's obligated balances include US \$342,848 from two cancelled projects: Shuzhou Purification Equipment Factory rigid foam

project in China (CPR/FOA/28/INV/291) and Nobough Industrial Company in Iran (IRA/FOA/32/INV/75). The Shuzhou project had US \$254,267 in obligated balances out of the US \$516,780 originally approved for the project. The Nobough project had US \$88,581 in obligated balances out of the US \$248,736 originally approved for the project. If these obligations are expended, all of the funds for these two cancelled projects will have been disbursed. UNDP reported that the equipment was still packed for the Shuzhou project and it would be recovered and used at another enterprise in China. UNDP also indicated that Nobough no longer produces polyurethane foam and the equipment for the project was transferred to Sanaye Boroudai Maleki company (IRA/REF/35/INV/138).

13. US \$5,237,509 out of the US \$6,488,350 in obligated balances held by the World Bank was obligated for multi-year projects. One of the main reasons that balances from annual tranches of multi-year projects appears in the balances report is the short duration of the project, i.e., one year, and the definition of completion for such projects as the attainment of the agreed ODS reductions. These funds will be disbursed against actual costs when project costs are presented to the World Bank for payment.

14. US \$113,261 out of the US \$336,406 held by UNIDO in un-obligated balances is for the cancelled project, Bole Electrical Appliances refrigeration project in China (CPR/REF/23/INV/222). The project was originally approved for US \$1,469,029. UNIDO indicated that the company was no longer producing polyurethane foam and the equipment purchased for this cancelled project would be transferred to another enterprise in China.

15. US \$1,276,053 out of the World Bank's US \$1,374,655 in un-obligated balances is for the return of funds from the Thai Chiller Concessional Loan project (THA/REF/26/INV/104). According to the project approved at the 26th Meeting, the Bank would return the US \$2.475 million Multilateral Fund component of the Multilateral Fund/Global Environmental Facility's concessional loan at the end of the project or at the beginning of the fourth year. The project is now listed by the World Bank as completed. One of the conditions of the approval was the promise to repay the loan by January 2007 based on the status report submitted to the 35th Meeting. The World Bank confirmed that the loan repayment is planned for January 2007.

16. The Bank indicated that the fact the funding had not been completely utilized and some funds may be returned now is an indicator of the project's success because building owners have realized that savings can be obtained from improved chiller efficiency. 34 chillers were replaced through the project, and after the chiller project had been initiated, the Department of Alternative Energy Development and Efficiency added building chillers as equipment eligible for financing through two Government programmes aimed at increasing energy efficiency.

Agency Support Costs

17. 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 from this cost, the implementing agencies should provide an explanation and return the balance of funds (Decision 35/13(k)). Table 4 indicates the level of agency support costs being returned to the 44th Meeting and totalling US \$47,023.

Table 4

ADMINISTRATIVE SUPPORT COSTS RETURNED TO THE 44TH MEETING (US\$)

Agency	Funds from Completed Projects	Funds from Cancelled Projects	Funds from Ongoing Projects	Adjustments	Total Funds to be Returned to the 44 th Meeting
UNDP	4,727	5,205	0	(20,310)	(10,378)
UNEP	28,383	0	0	0	28,383
UNIDO	20,424	0	1,424	0	21,848
World Bank	1,970	0	5,200	0	7,170
TOTAL	55,504	5,205	6,624	(20,310)	47,023

18. UNDP is requesting reimbursement for support costs of US \$20,310 for the 18 projects mentioned in para. 6.

Balances Returned from Bilateral Cooperation Projects

19. At its 43rd Meeting, the Secretariat requested UNDP, on behalf of the Government of Belgium, to provide to the 44th Meeting of the Executive Committee a report on the level of funds returned for the cancelled Quimica Andina foam project in Bolivia (BOL/FOA/28/INV/10) in the context of the balances report. Subsequently UNDP indicated that US \$116,264, including support costs and income earnings on interests, had been returned to the Fund in August 2004. The Executive Committee may wish to note this return and indicate that the interest should be treated as additional income to the Fund per UNDP's agreement with Belgium and not additional contributions from Belgium.

20. In the context of Germany's submission of project completion reports for four projects, Germany informed the Secretariat that it had remaining balances amounting to US \$15,344 for the following projects: Technical assistance project on promoting compliance with the Montreal Protocol in Croatia and Romania (EUR/SEV/28/TAS/01) where US \$6,900 out of the US \$67,800 originally approved for the project remained; Training project in the refrigeration sector in Lebanon (LEB/REF/26/TRA/25) where US \$8,197 out of the US \$49,500 originally approved remained; Technical assistance project on remaining issues for a RMP in Lebanon (LEB/REF/28/TAS/31) where US \$3 out of the US \$37,550 originally approved remained; and Recuperation and recycling project in the refrigeration servicing sector in Namibia (NAM/REF/24/TAS/05) where US \$244 out of the US \$34,400 originally approved remained. Germany has requested that these amounts should be offset against future approvals.

Total Resources Available for 44th Meeting

21. The status of contributions and disbursements as at 11 October 2004 indicates that the Treasurer had available a total of US \$76,488,247 in cash and promissory notes. The total amount of balances returned, including agency support costs, is US \$496,122. Therefore, the total amount of resources available for approval by the Executive Committee at its 44th Meeting

is US \$76,984,369 as at 11 October 2004 and the value of submissions to the Meeting prior to project review was US \$102,411,226 including the budget of the Secretariat/Executive Committee plus the costs of a Venezuela CFC production closure that is under consideration by the Production Sector Sub-Group and the expected costs of US \$1.7 million for the Indonesia foam sector plan.

22. Therefore, prior to project review, the bilateral and implementing agencies submitted projects totalling at least US \$25 million above the amount of resources available for their approval. Project review normally results in reductions in the submitted value of projects. If the project review does not result in reductions of at least US \$25 million (not including the cost of the CFC production closure in Venezuela and the Indonesia foam project) in the submitted value of projects or additional income to cover the submitted value is not received, the Executive Committee might consider approvals-in-principle pending the receipt of future contributions.

RECOMMENDATIONS

The Executive Committee may wish to:

1. Note the report on project balances contained in UNEP/OzL.Pro/ExCom/44/4.
2. Note the net level of funds being returned to the 44th Meeting against project balances totalling US \$443,103 that includes an US \$79,548 reimbursement to UNDP to account for the funds previously returned in error for 18 projects and the return of US \$286,351 from UNEP; US \$180,729 from UNIDO; and US \$55,571 from the World Bank.
3. Note the net level of support costs being returned to the 44th Meeting against project support cost balances totalling US \$47,023 that includes an US \$10,378 reimbursement to UNDP to account for the support costs for the funds previously returned in error for 18 projects and the return of US \$28,383 from UNEP; US \$21,848 from UNIDO; and US \$7,170 from the World Bank.
4. Note, with appreciation, that implementing agencies had balances totalling US \$53,019, excluding support costs, from projects completed over two years ago: UNDP--US \$47,701 plus support costs; and UNEP--US \$5,318 plus support costs and that this amount of balances from such projects is the lowest amount achieved since such balances began to be monitored by the Executive Committee at its 28th Meeting.
5. Note the return of funds from UNDP of US \$116,264, including support costs and income earnings on interests, on behalf of Belgium for the cancelled Quimica Andina foam project in Bolivia (BOL/FOA/28/INV/10), and the fact that the Treasurer would adjust Belgium's bilateral contributions and cash contributions accordingly, with the interest to be credited as interest collected on Fund balances instead of additional contributions from Belgium.

6. Note that US \$15,344 should be offset against approvals for the Government of Germany for the return of the following amounts, as indicated by project: US \$6,900 for the Technical assistance project on promoting compliance with the Montreal Protocol in Croatia and Romania (EUR/SEV/28/TAS/01); US \$8,197 for the Training project in the refrigeration sector in Lebanon (LEB/REF/26/TRA/25); US \$3 for the Technical assistance project on remaining issues for a RMP in Lebanon (LEB/REF/28/TAS/31); and US \$244 for the Recuperation and recycling project in the refrigeration servicing sector in Namibia (NAM/REF/24/TAS/05).

7. Note that US \$76,984,369 (to be updated at the meeting) was available to the Executive Committee for approvals at the 44th Meeting.
