BP 10.21 - Investment Operations Financed by the Multilateral Fund for the Implementation of the Montreal Protocol

These procedures were prepared for use by World Bank staff and are not necessarily a complete treatment of the subject.

BP 10.21
November, 1993

Processing of Freestanding MP Operations

1. The processing of operations under the Ozone Projects Trust Fund (OTF) of the Montreal Protocol (MP) follows the general procedures set out in BP 10.00, Investment Lending: Identification to Board Presentation. The public disclosure of information on projects funded under the Multilateral Fund for the Implementation of the Montreal Protocol (MFMP) is governed by the provisions of The World Bank Policy on Disclosure of Information (Washington, D.C.: World Bank, 2002). This section explains variations and additional procedures that are specific to MP operations.

Identification

2. MP project ideas may be generated by governments, the implementing agencies for the MFMP, nongovernmental organizations, or the private sector. The government in whose territory any operation is to be undertaken must explicitly support the operation before the Bank can present it for approval by the MFMP Executive Committee.

3. Project Preparation Advance. Bank staff determine the recipient's need and eligibility for a project preparation advance (PPA) from the OTF.

Project Preparation Documents

4. Project Information Document. A Project Information Document (PID) is prepared for MP operations (see Annex B). The MP-PID refers to the proposed technical review arrangements and notes whether an environmental review is necessary.

5. Project Documents. The MFMP Executive Committee requires that each project or subproject within an operation be described in a separate Project Document (see Annex C) that includes a Project Cover Sheet and Summary (see Annex C1). The prospective recipient prepares the Project Documents (with assistance from the Bank, if necessary). The task manager summarizes each Project Document in a paragraph; together, these summaries constitute a technical annex to the PID.

6. Technical Review. To ensure quality, each project or subproject covered by the MP-PID is subjected to an independent technical review that is based on the Project Document. This technical review, which is additional to the internal peer review required by OP/BP 10.00, Investment Project Financing, is carried out by an outside
specialist selected from the Ozone Operations Resource Group\(^5\) or from a roster approved by that group and available from the Global Environment Coordination Division (ENVGC). A signed opinion from the outside specialist on the technical merits of the proposed phase-out technology and level of funding for each subproject or single-component project is circulated with the MP-PID for the MP-PID review meeting. Subprojects that have not yet been preappraised at the MP-PID review stage and are being processed under an umbrella agreement (see para.8) are subject to the same technical review requirements.

7. **MP-PID Review Meeting.** The MP-PID review meeting is considered to be the pre-appraisal review meeting. ENVGC is represented at this meeting. Any questions on the interpretation of the MP or local legislation are referred to the Legal Department. If necessary, the MP-PID is revised after review. A copy of the MP-PID, with the technical annex and any other annexes attached, is sent to the Bank's Public Information Center (PIC), from which interested parties may obtain it.

8. **Subprojects under Umbrella Agreements.** When subprojects are defined following Bank approval of an umbrella agreement, they are reviewed (see para. 6) and approved by the division chief before being submitted through ENVGC for approval by the MFMP Executive Committee. Review/approval by the MFMP Executive Committee is a condition of disbursement for these subprojects.

9. **Project Review and Approval.** The MP-PID is submitted, with the Project Documents and any annexes, through ENVGC to the MFMP Secretariat; the Secretariat reviews the package and forwards the Project Documents to the MFMP Executive Committee. Taking into account any recommendation of the MFMP Secretariat, the MFMP Executive Committee reviews the Project Documents for each project or subproject. Projects smaller than $500,000 are reviewed by the MFMP Executive Committee and incorporated into the Bank's work programs; projects or subprojects larger than $500,000 (including those that are part of an approved project) are approved separately by the MFMP Executive Committee. Following the action of the MFMP Executive Committee, the Bank appraises the project.

**Memorandum and Recommendation of the Director**

10. Following appraisal, Bank staff update and revise the MP-PID and the technical annex as required to convert the MP-PID into an MP Memorandum and Recommendation of the Director (MOD) of the country department (CD) concerned. The MOD contains (a) a statement on the government's policies for implementing the MP and, in particular, the status of the country program for implementing the MP (or its principal policy and strategy recommendations, if they are finalized); and (b) a full description of the operation. Attached to the MOD are the technical annex that summarizes the Project Documents, and any other annexes necessary to give expanded descriptions of special technology, policy, or other features of the operation's design and its implementation arrangements, discuss the level and rate at which the operation is expected to phase out the use of ozone-depleting substances, and identify the key performance indicators and monitoring and evaluation arrangements for the project. (For the format of an MOD, see Annex D) Any annexes to the MOD are sent to the PIC, through which interested parties may obtain them.

**Appraisal**

11. Procedures for appraisal are described in BP 10.00, *Investment Project Financing.*

**Yellow Cover Review Meeting**

12. The draft yellow cover MOD for the MP project, with its annexes, serves as the basis for the yellow cover review meeting. The cover memorandum notes (as required in BP 10.00, *Investment Project Financing*) the changes made in all documents. The Chief, ENVGC, is represented in the yellow cover review meeting. Following the review meeting, the MOD may be revised.

**Legal Documents**

13. Within 10 working days after the revised MOD is issued, the lawyer issues the legal documents for the MP project. These legal documents specify grant amounts and conditionalities. Conditionality, if it is important for successful implementation, may be associated with an MP operation. The Grant Agreement incorporates by reference the relevant information disclosure provisions.

**Negotiations**
14. The Invitation to Negotiate includes a statement that it is the Bank's policy to release the MOD after the project is approved. The Invitation to Negotiate also requests that the prospective MP grant recipient be prepared to indicate, during negotiations, any sections of the MOD that may be confidential or sensitive, or that could adversely affect relations with the prospective recipient. The Bank and the prospective recipient discuss these sections during negotiations.

15. Procedures during negotiations are the same as for normal Bank projects, with three exceptions to expedite procedures: (a) the authority to negotiate rests with the CD director (however, for projects larger than $2.5 million, clearance to negotiate is obtained from the Regional vice president [RVP]); (b) negotiations are normally by correspondence; and (c) after negotiations, documents are signed by the CD director (see paras. 18-10) and sent to the grant recipient for signature.

16. Following negotiations, Bank staff prepare the final (blue cover) MOD, taking into account the comments made by the prospective recipient during negotiations.

17. **Minutes of Negotiations.** These minutes refer to the outcome of negotiations of the MP project. They specifically reflect the MFMP grant recipient's agreement to allow public access to the MOD. A copy of the minutes is sent to the Chief, ENVGC.

**Project Approval**

18. If negotiations are successful, Bank staff assemble the following documentation:

   (a) the MOD;

   (b) the legal documents;

   (c) a memorandum from ENVGC indicating that the proposed operation is consistent with the operation approved by the MFMP Executive Committee; and

   (d) a transmittal memorandum noting the outcome of negotiations and seeking approval for a grant from the OTF for the MP project. For a project of less than $2.5 million, the transmittal memorandum is addressed to the CD director by the country or sector operations division chief; for a project costing $2.5 million or more, it is addressed to the RVP by the CD director.

A project of less than $2.5 million is approved by the CD director. For a project costing $2.5 million or more, the RVP approves the project and returns the documentation to the CD director, authorizing the CD director to sign the legal documents. A copy of all documentation is sent to ENVGC. The MOD is circulated by the Secretary's Department for information to the executive directors whose countries are Parties to the MP and by ENVGC to the members of the MFMP Executive Committee and to the MFMP Secretariat for distribution to the Parties. The final blue cover MOD is sent to the PIC, through which interested parties may obtain it.

**Signing**

19. The CD director signs the legal documents for the MP operation on behalf of the Bank. After the recipient signs the documents, the lawyer sends copies of the signed legal documents to the Official Documents File; the Trust Funds Administrator; the Chief, Trust Funds Accounting Division; the finance officer; and the Chief, ENVGC.

**Press Release for MP Operation**

20. If appropriate, the Information and Public Affairs Division prepares a press release after consulting with the project task manager and the Chief, ENVGC. ENVGC determines jointly with the sector operations division chief whether and when to issue the press release.

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Furthermore, because the grant proceeds may not be used to finance the tax element of the eligible activities, appropriate procurement methods must be established to implement this provision.
Effectiveness, Disbursements, and Closing Dates

22. If there are no conditions of effectiveness, MP Grant Agreements become effective upon signing. If there are conditions, Grant Agreements become effective according to the provisions of BP 10.00, Investment Project Financing. MP project disbursements are governed by the provisions OP/BP 10.00, Investment Project Financing. MP project closing dates are governed by the provisions of OP/BP 10.00, Investment Project Financing.

Processing of MP Operations as Components of Bank-Financed Projects

23. MP operations are processed as components of Bank-financed projects only in exceptional circumstances. When MP operations are components of Bank-financed projects, the processing differs from the processing of freestanding MP projects only in the following respects.

Project Information Document

24. There is a separate MP-PID, with a technical annex summarizing the Project Documents, for MP components of Bank-financed projects; the MP-PID and the Executive Project Summary (EPS) for the Bank-financed project are normally prepared and processed together. (Annex B provides an outline of the MP-PID; Annex C describes the content of Project Documents.) The EPS for the associated Bank-financed project notes the existence of an MP component, and the PID for the Bank-financed portion of the project is available separately to interested parties on request through the PIC. The MFMP Executive Committee reviews/approves the MP component according to the procedures set out in para. 9.

Appraisal

25. Appraisal of MP components normally takes place simultaneously with appraisal of the other components of the proposed Bank-financed project. The MP component, like any other project component, is described in the Staff Appraisal Report (SAR) for the Bank-financed project.

26. The technical annex summarizing the Project Documents, and any other annexes used to describe the MP component in the SAR for the Bank-financed project, are attached to the MOD (for the format of an MOD, see Annex D).

Yellow Cover Review Meeting

27. If appraisal of the MP component occurs later than that of the associated Bank-financed project, a separate meeting to review the MP yellow cover documents may be required.

Negotiations

28. Unless processing schedules for the MP component and the associated Bank-financed project differ, negotiations for both occur at the same time. Conditionality, if it is important for successful implementation, may be associated with an MP component. Further, if successful MP project implementation depends on the implementation of the associated Bank-financed project, cross-effectiveness provisions may be included in the MP project legal documents. The usual cross-default clauses are used in accordance with existing Bank practices for investment operations.

Project Approval

29. RVP approval is required for all MP operations that are components of Bank-financed projects. The complete MOD is attached to the Memorandum and Recommendation of the President (MOP) of the associated Bank-financed project. The cover memorandum of the MOP indicates that the RVP has approved the MP component, subject to the Board’s approval of the Bank-financed project. After the associated Bank-financed project is approved by the Board, the CD director is authorized to sign the MP legal documents (see paras. 18-19).

1. The implementing agencies are listed in OP 10.21, Annex A.
2. “Bank” includes IBRD and IDA, and “loans” includes IDA credits and IDA grants.
3. Annex A of this document provides further information about OTF-PPAs.
4. MP projects are subject to the same environmental review process as Bank projects; see OP/BP 4.01, Environmental Assessment.
5. The Bank established the Ozone Operations Resource Group to provide advice on designing and implementing projects to phase out ozone-depleting substances. The group is made up of engineers and scientists who are recognized internationally as leaders...
in the particular subsector using ozone-depleting substances. Its members are appointed by the Director, Environment Department.

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Annex A - Project Preparation Advances from the Ozone Projects Trust Fund
Annex C - Presentation of Projects to the MFMP Executive Committee
Annex C1 - Sample Project Cover Sheet and Summary
Annex D - Outline for Memorandum and Recommendation of the Director
Annex E - Sample Notice to Prospective Recipients of Grants under the Multilateral Fund for the Implementation of the Montreal Protocol
Annex F - Disbursement under Ozone Projects Trust Fund Grant Agreements

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