EP

United Nations
Environment
Programme

Distr.
LIMITED

UNEP/OzL.Pro/ExCom/14/13/Add.1
15 September 1994

ORIGINAL: ENGLISH

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

Fourteenth Meeting
Nairobi 29-30 September 1994

**Addendum**

# LETTER OF IMPLEMENTATION STRATEGY FOR SMALL MONTREAL PROTOCOL INVESTMENT OPERATIONS THROUGH AN UMBRELLA AGREEMENT

(Submitted by the World Bank and the Government of India)

This document consists of the comments from the Fund Secretariat.

## COMMENTS FROM THE FUND SECRETARIAT

1. The World Bank first presented a proposal for a small project approval process (SPAP) to the Eleventh Meeting of the Executive Committee. Since it was submitted during the meeting, consideration of the proposal was deferred until the Twelfth Meeting. Versions of SPAP were reviewed but not adopted at both the Twelfth and Thirteenth meetings of the Committee. At the Thirteenth Meeting, the Executive Committee approved an alternative process entitled, the "Expedited Project Approval Process" (EPAP) (UNEP/OzL.Pro/ExCom/13/47, para. 68).

2. At its Thirteenth Meeting, the Executive Committee welcomed the proposal of the World Bank to present a draft umbrella agreement with India to the Committee at its Fourteenth Meeting" (UNEP/OzL.Pro/ExCom/13/47, para. 71). It was assumed that the agreement would implement the Expedited Project Approval Process approved by the Committee. A "Letter of Implementation Strategy for Small Montreal Protocol Investment Operations through an Umbrella Agreement" was received that included a letter from the Government of India in support of the World Bank's proposal.

3. The Bank has modified its original SPAP procedure to include clearance by the Fund Secretariat and concurrence by the Executive Committee. It is therefore understood that, before "notification of approval and funds flow", the Bank would submit all project proposals to the Secretariat for review of new policy issues, guidelines and precedents.

4. In its EPAP decision, the Committee also decided to require documentation for projects approved through this process: "Projects submitted under this process would have to meet normal, under US $500,000 information requirements" (UNEP/OzL.Pro/ExCom/13/47, para. 68c). However, the Bank's proposal also states that "the proposed mechanism [would eliminate] the need for the Bank to prepare documentation for formal Executive Committee approval and consists in the review of project documents prepared in accordance with established guidelines and eligibility criteria" (UNEP/OzL.Pro/ExCom/14/13, page 3, para. 13).

5. The Fund Secretariat asked for clarification of this issue from the World Bank. The Bank stated that "Project documents will be required both during and after the pilot phase of the proposed mechanism. . . . That is, once the pilot phase is completed, the project documentation would be presented to the Executive Committee after approval by the Bank and not part of the 'formal' presentation for project approval, but simply for information".

6. The Bank's proposal states that "Once the Bank and country-client have agreed on an implementation mechanism and have negotiated an umbrella grant agreement, funds can be advanced from the Multilateral Fund to underwrite the Letter of Implementation Strategy which would have been received by the Fund Executive Committee" (page 3, paragraph 1, "Introductory Note"). However, the Committee's EPAP decision states that "Upon the expiration of the review period, the Secretariat would inform the Agency of the results of the review by the Executive Committee. The Secretariat would also request the Treasurer to advance funds to the Implementing Agency to facilitate the expeditious implementation of approved projects." (UNEP/OzL.Pro/ExCom/13/47, para. 68(e)).

7. The Fund Secretariat contacted the World Bank in an attempt to resolve this inconsistency with the decision of the Committee. The Bank stated that "the purpose of requesting an advance is to fully evaluate the process with the Executive Committee and within the Bank, where new administrative procedures (letter to the country, notification to Trust Fund Administration) would have to be established to process the approved funds in minimal time through the umbrella agreement".