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DRAFT AGREEMENT
BETWEEN
THE WORLD BANK
AND
THE EXECUTIVE COMMITTEE

Term Sheet

Administrative Arrangements To Cooperate For Protection of the Ozone Layer between the Executive Committee of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer and the World Bank

1. Purpose: The World Bank and the Parties will cooperate for protection of the ozone layer and promote thereby environmentally sound and sustainable economic development. The Parties will provide financing for the agreed incremental cost of activities to enable eligible developing countries to comply with the control measures of the Montreal Protocol. The eligible countries covered by these arrangements will be listed in a schedule, with additions subject to agreement between the Parties and the World Bank. The World Bank will administer and manage the program of the Parties.

2. Parties and Scope of Cooperation: The Parties to the Protocol will act through the Executive Committee, and the World Bank will act as Trustee of the Ozone Layer Protection Trust Fund (OTF), to be established by the World Bank for this purpose, in accordance with the provisions and procedures for governance and cooperation under its Articles of Agreement. The Executive Committee will

make arrangements to cooperate with UNEP and UNDP, and may also make such arrangements with other appropriate agencies. The World Bank will make appropriate arrangements with UNEP and UNDP.

3. Function of the World Bank: The World Bank will cooperate with the Parties and assist them to achieve the purpose in 1 by acting as Trustee of the OTF. In doing so, the World Bank will use its established procedures, including the use and supervision of intermediary institutions in developing member countries, for project implementation. In performing this function, and consistently with 5, the World Bank will apply only considerations relevant to effective and economically efficient programs and projects.

4. Availability and Use of Resources: The Executive Committee will transfer, or arrange for the transfer of, financing contributed by the Parties and allocated by the Executive Committee to the OTF as soon as it becomes available. The assets of the OTF will be held separately from all other resources of the World Bank and will be used only for the purposes of the OTF. The World Bank will make no commitment in respect of financing contributed by the

parties in advance of the receipt of such financing in the OTF.

5. Eligibility Criteria, Policy Guidelines and Terms of Financing:

To the extent that they apply to the OTF, the eligibility criteria and policy guidelines for operations will be established by the Executive Committee with the agreement of the World Bank; and any modifications in them, which will apply only prospectively, will be similarly agreed. Contributions will be received by the OTF as cash or demand notes of a Party or its depository, in U.S. dollars or in any other freely convertible currency; commitments to disburse by the OTF will be denominated in U.S. dollars; the OTF will bear no exchange risk; transfers to recipients will be by way of grant; and reimbursement of administrative cost will be charged against the resources of the OTF.

6. Operational Procedures:

An Ozone Layer Protection Policy Framework Paper [OPFP] will be prepared by each eligible developing country. The World Bank will assist, as requested, to formulate the OPFP, which will include a program to implement the country's obligations under the

Protocol that would be suitable for financing provided by the Parties from the Interim Multilateral Fund (and subsequently the Multilateral Fund). The OPFP will contain the specific description of any proposal for financing in excess of US$ 500,000. The World Bank will review each OPFP, and will submit a financing proposal for effective and economically efficient programs and projects contained in it to the Executive Committee for approval. Upon approval by the Executive Committee, the World Bank as Trustee of the OTF will administer and manage the implementing projects in accordance with its regular procedures.

7. Financial provisions: (a) Investment of resources: Resources in the OTF will be invested pending disbursement in accordance with the regular practice of the Bank, and the income of investment shall be added to the resources of the OTF.

(b) Reimbursement: The World Bank will be reimbursed annually from the resources of the OTF, as set out in 5, for the reasonable expenses incurred by it for the administration of the OTF. The reimbursement will be made on the basis of estimated cost, subject to end of year adjustment.

8. Reports: The World Bank will report semiannually to the Executive Committee on the status of, and implementation pursuant to, each OPFP. In addition, the World Bank will present annual reports of the operations of the OTF to the Executive Committee, which will include a detailed financial statement audited by the World Bank's external auditors. After the OTF shall have been fully used, the World Bank will present a completion report to the Executive Committee on the operations financed by the OTF.

9. Parallel Financing Arrangements: The World Bank may agree to co-financing arrangements, on terms determined by it consistently with 5 above, in cases where such financing is to be provided for the purposes of the Protocol.

10. Participation in Meetings: The President of the World Bank, or his representative, will participate in meetings of the Parties and meetings of the Executive Committee, to report and consult on the World Bank's activities under these arrangements.

11. Amendment: These arrangements may be amended by agreement between the Executive Committee and the World Bank.

12. Termination: These arrangements will terminate at the option of either the Executive Committee or the World Bank upon 6 months notice, in which event the function of the World Bank under the OTF will terminate, except for action necessary for expeditious and orderly winding up of the activities of the OTF, after which any remaining resources will be transferred as the Executive Committee may require.

13. Effective Date: The OTF will come into effect when resources, in the form set out in 5, of at least U.S.$ 40 million have been transferred to the World Bank for this purpose.