OVERVIEW OF THE WORLD BANK DUE-DILIGENCE PROCESS
(IN THE CONTEXT OF THE PMR)

Chandra Shekhar Sinha
South Asia Disaster Risk and Climate Change Unit/
Social, Urban, Rural and Resilience Global Practice
The World Bank

PA11 – London, United Kingdom
10-11 March, 2015
Key Issue – Due-diligence and start of PMR activities

- Activities outlined in the Market Readiness Proposal (MRP) do not start immediately after the endorsement of the proposal by the PMR Partnership Assembly.

- The MRP is a concept; after its endorsement the Delivery Partner and the Recipient have to start the due-diligence process to turn the MRP into an implementable project.

- Additional information is needed for the World Bank Task Team to Appraise the project on a technical, economic and fiduciary basis, including:
  - Details on implementation and project management arrangements;
  - Assessment of Procurement and Financial Management capability;
  - Arrangements for meeting Environmental, Social and other Safeguards.

- This can take time that depends on country specific conditions.
World Bank Project Cycle
The PMR and the World Bank Project Cycle

**WB APPRAISAL PROCESS**
- Project Concept Note
- Concept Review
- Project Appraisal Document (PAD)
- Decision Review

**PMR PROCESS**
- Organizing Framework
- PA Decision
- Market Readiness Proposal (MRP)
- PA Decision

**Grant Agreement**

**WB MONITORING**
- Grant Reporting and Monitoring Tool

**PMR MONITORING**
- Project Implementation Status Reports
The Concept Review confirms consistency with the country strategy, how to proceed with the project preparation, project design issues, safeguards, timetable and budget, and team composition.

The Concept review for PMR usually takes place after MRP endorsement:
- Concept Review can be based on Organizing Framework

The Concept Review is based on three documents prepared by the task team:

- **Project Concept Note (PCN)**
  - PCN provides basic information to inform World Bank management's decision on whether and how to proceed with project preparation.

- **Project Information Document (PID)**
  - PID discloses basic information about the operation to the general public.

- **Integrated Safeguards Data Sheet (ISDS)**
  - ISDS identifies possible environmental and social safeguards policies triggered by the project.
Preparation and Appraisal

◆ Preparation:
  ▪ Refine the Project Development Objectives and the related Results Framework;
  ▪ Define collaboration and/or co-financing arrangements;
  ▪ Organize project activities to achieve results around project components;
  ▪ Define implementation arrangements including disbursement arrangements, Financial management and procurement arrangements
  ▪ Review the project's risk assessment;
  ▪ Assist the Recipient in project preparatory studies (e.g., technical, economic and safeguards), which serve as a basis for the project appraisal.
  ▪ Identify implementation support arrangements to be carried out by the World Bank.

◆ Appraisal:
  ▪ Based on due-diligence, ensure that
    - Project and activities are consistent with Bank policies & procedures and country strategy
    - Technically, economically and financially sound and has appropriate safeguards in place
  ▪ Prepare a first draft of the project’s legal documents based on the draft Project Appraisal Document (PAD).
  ▪ Ensures project readiness for negotiation
Responsibilities during Preparation and Appraisal

The Client and the Task Team are responsible for distinct activities during Project Preparation and Appraisal. The basic activities include:

- **Client**
  - The Client is responsible for conducting various preparatory studies (with assistance from the World Bank Task Team, as needed), and launching preparatory studies converting the Organizing framework to the PMR Market Readiness Proposal (MRP).

- **Client & Bank**
  - The Client and the Task Team work together to refine the project’s objectives, results, detailed project scope and implementation arrangements.

- **Bank**
  - The Task Team is responsible for appraising the project based, in part, on the Client’s preparatory studies, and for drafting the necessary project documents, disbursement arrangements, financial management, procurement and legal agreements.
Cornerstones of the Project Appraisal Document

- Results Framework and Monitoring (Annex 1)
- Detailed Project Description (Annex 2)
- Implementation arrangements - fiduciary, disbursement, and safeguards (Annex 3)
- Operational Risk Assessment Framework (Annex 4)
- Procurement plan for the first 16 months of project implementation (part of Annex 3)
- Cost and Financing Plan (Main text of the PAD) (Section III)
Disbursement and implementation arrangements

- Main challenge: Determining the most appropriate and efficient structure for the flow of funding

- Need to ensure that the funding is, indeed, additional and represents supplementary resources for the “end-recipient” (technical Ministry).
  - Regular budget vs. Other (non-conventional) structure.

- Distributing roles efficiently:
  - Fiduciary responsibilities (procurement, financial management, reporting);
  - Technical expertise and supervision;
  - Coordination of multiple stakeholders.

  ➔ Subsidiary agreements often required.
Procurement

Transparent and efficient Procurement is critical to the mission of the World Bank, because:

- Procurement affects the ability of the project to achieve its development objectives on time and at an efficient cost;
- The World Bank has a fiduciary obligation to ensure that all Bank-funded projects comply with the required procurement guidelines.
- Procurement can affect the achievement of the Project Development Objective.

The basic principles of the Bank’s procurement are: Economy, Efficiency, Transparency, Equal opportunity and Development of National Industries.
Negotiation and Approval

- After Appraisal, negotiations between the World Bank and the Recipient come to an agreement on the terms and conditions of the grant.
- The documents setting out the World Bank’s assessment of the feasibility and justification for the project along with the legal documents are then submitted to the Bank’s management for approval.
- Submission of relevant documents for final clearance by the Recipient government is done at this stage.
- Following approval by both parties, the grant agreement is formally signed.
- Grant can be disbursed after any required conditions of effectiveness have been met. The agreement is then made available to the public.
Key milestones in Project Implementation

**Project Launch**
World Bank Task Team and the implementing agency to carry out a project launch workshop—which may include representative beneficiaries, nongovernmental organizations (NGOs), and other stakeholders.

**Declaration of Effectiveness**
Once the legal agreement is approved by the World Bank management, the Task Team should closely follow the procedures leading to its signature and those related to completing conditions of effectiveness, so that once the agreement is signed, the necessary conditions to start Project Implementation are met promptly.

**Mid-Term Review**
About mid-way in Project Implementation, some Task Teams perform an in-depth review of project implementation progress, based on the experience up to that point. The Mid-Term Review (MTR) is conducted by representatives of the Bank and the Client (and of other Development Partners if applicable) to assess the overall project performance and the adequateness of the implementation arrangements in place.
Conclusion – Need to think “Implementation” early

- The PA endorsement of the MRP is a good process where the PMR PA leaves it up to the World Bank to work out implementation arrangements while requiring annual reports on progress.
- World Bank and the PMR Implementing Countries should start looking at Implementation Arrangements while preparing the MRP.
- Project Implementation Arrangements should take into account capacity constraints and institutional readiness issues
  - Implementation Arrangement design should be sequenced so as to not to overwhelm the counterparts while MRP is being prepared.
  - PMR activities have capacity opportunity costs and trade-offs need to be recognized
- Implementation country constraints – including disbursement arrangements, complexity of internal procedures and capacity constraints – should be flagged early
Questions or suggestions?

CHANDRA SHEKHAR SINHA

CSINHA@WORLDBANK.ORG