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MULTILATERAL COOPERATION CENTER FOR DEVELOPMENT FINANCE OPERATIONS MANUAL OF THE FINANCE FACILITY

I. INTRODUCTION

1.01 This Operations Manual provides guidance on the implementation of policies, rules and procedures related to activities conducted with funding from the Finance Facility (Finance Facility) under the Multilateral Cooperation Center for Development Finance (“MCDF”).

1.02 The following terminologies used in this Operations Manual including the accredited international finance institutions standards (Accredited IFI Standards), Administrator, Beneficiary Countries, Collaboration Platform, Contributors, Coordination Committee, Finance Facility, Governing Committee, IFI Implementing Partners (Implementing Partners), New Partners, MCDF Secretariat (Secretariat), and USD (the United States dollar) have the same meaning as defined in the Governing Instrument of the Finance Facility of the MCDF.

1.03 In the context of this Operations Manual, the Finance Facility’s major stakeholders include Implementing Partners, New Partners, Governments of Beneficiary Countries and Contributors.

II. PROJECT AND ACTIVITY ELIGIBILITY

2.01 The Finance Facility supports three types of activities:

- Information and knowledge sharing
- Capacity building
- Project preparation support

1. Information and Knowledge Sharing

2.1.1 The Finance Facility may finance, on a grant basis, the collection, storage, processing, and dissemination of data and knowledge products related to cooperation opportunities, preparation and implementation of high-quality connectivity projects, and adoption and implementation of Accredited IFI Standards. The information and knowledge sharing activity may also include analyses and case studies funded by the Finance Facility and conducted through Implementing Partners, or jointly with Implementing Partners, New Partners and other stakeholders. Information and knowledge sharing activities supported by the Finance Facility will be conducted in accordance with the guidelines and principles established by the concerned Implementing Partners, taking into account their own confidentiality and information disclosure policies.

2.1.2 The Collaboration Platform may provide support for information and knowledge sharing by stakeholders of the Finance Facility and other development partners that participate in the Collaboration Platform activities. The instruments of the Collaboration Platform comprise a website (managed by the Secretariat) that has access to digital publications, data, and pertinent information, and events (including seminars, workshops and conferences). The website will function as the data and information center of the MCDF as a whole. Among other things, the MCDF website will support and facilitate information and knowledge sharing amongst stakeholders of the Finance Facility. The Finance Facility may fund the development and launch of the MCDF website (including the server, hardware, and software, if required) and its related operation and maintenance. These website related costs as well as the administrative support that the Secretariat may provide for organization of the Collaboration Platform events will be allocated to the Secretariat as part of its annual administrative budget.

2.1.3 Information and knowledge sharing events, including the related analyses and case studies, may be proposed by the Implementing Partners, or by the other stakeholders in cooperation with the Implementation Partners, in the form of technical assistance proposals for funding support from the Finance Facility. Requests for funding support from the Finance Facility will need to be made by Implementing Partners.

2. Capacity Building

2.2.1 The Finance Facility may provide grant finance for capacity building activities proposed by Implementing Partners in collaboration with various stakeholders, including Beneficiary Countries and New Partners. The Implementing Partners will implement the approved technical assistance projects as the Finance Facility funded capacity building support for the concerned stakeholders. The primary objective of such support is to strengthen institutional capacity related to the adoption and application of Accredited IFI Standards by New Partners, as well as

by Beneficiary Country or Countries, including the home countries of New Partners. The support for capacity building may be provided in the context of a particular investment project, or as a project with the objective of upgrading capacity in a Beneficiary Country or Beneficiary Countries.

3. *Project Preparation Support*

2.3.1 The Finance Facility may finance, on a grant basis, either in full or in part, the cost of preparation work for infrastructure and connectivity projects that may be funded by sovereign financing and/or investment by Implementing Partners or by Implementing Partners in partnership with New Partners, most of which is expected to focus on pre-feasibility and feasibility study-related activities, as well as on activities supporting achievement of high levels of project readiness¹.

2.3.2 The Finance Facility will give priority to supporting joint project preparation through partnership between Implementing Partners and New Partners, recognizing that joint project preparation contributes to helping New Partners adopt Accredited IFI Standards in their operations. Such a partnership may include a joint project preparation team of an Implementing Partner and a New Partner led by the concerned Implementing Partner to conduct the project preparation work, including feasibility study and due diligence, in compliance with the Accredited IFI Standards.

2.3.3 As part of its project preparation support, the Finance Facility will provide grant financing in the form of “pre-concept paper support”² for Implementing Partners at the early stages of project preparation cycles: (i) to facilitate project identification and concept development, and (ii) to identify appropriate New Partners to partner with on joint project preparation.

¹ Project readiness refers to the preparedness of an investment project to start immediate implementation upon completion of all the approval procedures. Support for timely updating of the safeguards documents in accordance with safeguards policy requirements is a typical example of the activities that may help improve project readiness, after completion of the feasibility study.

² Concept paper (or concept note) refers to a brief description and an initial assessment of a potential investment project, including, but not necessarily limited to, project rationale, scope, outcome and outputs, institutional arrangement for project implementation, preliminary cost estimates and indicative financing plan, technical and engineering issues involved, environmental and social safeguards issues identified, and the efforts required for feasibility study and due diligence during project preparation.

III. CONNECTIVITY CONCEPT

3.01 Infrastructure connectivity refers to the linkage of communities, economies and nations through transport, communications, energy, and water networks across countries. Connectivity projects eligible for the Finance Facility support include both “greenfield” and “brownfield” assets, as well as “hard” and “soft” infrastructure. The former includes physical investments and the latter includes activities such as trade facilitation, customs harmonization, single window arrangements, etc. The Finance Facility will give priority to supporting large-scale, innovative and high profile connectivity projects.

IV. ELIGIBLE COUNTRIES AND SECTORS

1. Countries

4.1.1 Low and middle-income countries (as classified by the World Bank), or the countries that have an active country program (i.e. a lending or grant program and/or on-going policy dialogue) with an Implementing Partner will be eligible to directly benefit from the Finance Facility funded activities for information and knowledge sharing, capacity building, and project preparation for the infrastructure and connectivity projects that are to be implemented in their countries.

2. Priority Sectors

4.2.1 Priority sectors and sub-sectors for the Finance Facility support include the following:

- *Transport and Logistics*: highways and inter-state roads; ports; airports; railway networks; and logistics centers and networks.
- *Energy*: clean technology-based electricity generation, transmission and distribution; natural gas transmission and distribution; liquefied natural gas (LNG); and various forms of renewable and clean energy with regional content.
- *Telecommunications*: fiber optics cable, especially those intended for high-speed data connection and telecommunications between countries.

- *Water*: transboundary water projects may be supported, in selected cases,³ in accordance with the policies and procedures of the concerned Implementing Partners.

V. RESULTS

5.01 Finance Facility funded information and knowledge sharing, capacity building and project preparation support activities will be evaluated against the set of targets and indicators included in the Results Framework of MCDF Finance Facility.

VI. PORTFOLIO TARGETS

1. Approach

6.1.1 Allocations of the funding resources at the Finance Facility will be made for (i) specific proposals for technical assistance projects or multi-project programs proposed by Implementing Partners, and (ii) annual administrative budget proposals for the Secretariat and Administrator related expenses.

2. Allocations

6.2.1 For planning and budgeting purposes, resources at the Finance Facility will be apportioned: (i) for technical assistance grants to support information and knowledge sharing activities, capacity building, and project preparation, and (ii) for administrative budgets to cover the financing requirements for operations of the Secretariat and the Administrator. A multi-year **contingency of up to 10% of the Finance Facility resources** will be established across the years to ensure the Finance Facility has sufficient grant resources available within any given period to meet any unexpected grant finance requests from Implementing Partners and others. This contingency can also be used to respond to changes in the scope and/or eligible extra costs associated with approved activities.

³ In view of the fact that transboundary water projects may involve quite sensitive and complicated cross-country issues, which may require resources and expertise that are beyond the capacity of the Finance Facility, support for transboundary water projects would need to be considered on a selected basis only.

6.2.2 The Finance Facility's financial year will be from 1 January to 31 December. The Finance Facility will be flexible and responsive to proposals submitted by Implementing Partners throughout the year. Implementing Partners may also submit their proposals in two batches, one in January, and the other in July.

3. Indicative allocation among three types of activities

6.3.1 For planning purposes, the Finance Facility will set indicative allocations among the three types of activities as follows:

- Information and knowledge sharing: Support for information and knowledge sharing will be around **5%** of total technical assistance resources. With these resources, the Finance Facility will mainly support information and knowledge sharing events including related analyses and case studies to be conducted through Implementing Partners, or jointly with Implementing Partners, New Partners and other stakeholders.
- Capacity building: the allocation for capacity building activities will be around **20%** of total technical assistance resources.
- Project preparation: the allocation for project preparation activities will be around **75%** of total technical assistance resources.
- Within the resources allocated for project preparation, the cumulative approvals of pre-concept paper support may not exceed an initial ceiling of **USD2 million**. This ceiling may be adjusted, as necessary, by the Governing Committee. For each potential investment project, pre-concept paper support is generally expected not to exceed **USD150,000**.

6.3.2 The above indicative allocation limits are established to facilitate operational planning. They will be monitored by the Secretariat and may be modified by the Governing Committee as needed from time to time. The underlying intention is for the Finance Facility to be flexible and fully responsive.

4. Partner allocations

6.4.1 Technical assistance resources at the Finance Facility will be allocated among Implementing Partners, in a demand-driven manner, in response to proposals submitted by

Implementing Partners on their own or in collaboration with other stakeholders. Implementing Partners and other stakeholders are welcome to provide counterpart financing in the form of cash or in-kind contributions to their proposals for funding support from the Finance Facility.

6.4.2 In processing proposals for project preparation support, the Finance Facility will accord priority to the project proposals jointly prepared in partnership between Implementing Partners and New Partners. At least **50%** of all project preparation activities financed through the Finance Facility will require joint preparation between an Implementing Partner and a New Partner. Proposals from Implementing Partners that have proposed **more than 50%** of their funding requests involving New Partners will be accorded priority in subsequent proposal reviewing process. Proposals for project preparation support that have only Implementing Partner participation may be considered only when funds from other technical assistance mechanisms or budgets of the concerned Implementing Partners are not available.

6.4.3 The technical assistance resources allocated for pre-concept paper support will be available to all Implementing Partners, but continued access of an Implementing Partner to assistance from this allocation will be subject to a review of the Implementing Partner's success in using the previous support obtained to package and submit well-prepared project proposals for joint project preparation through partnership with New Partner(s).

VII. REVIEW AND APPROVAL PROCESS

1. Submission and Receipt of Proposals

7.1.1 Proposals for the Finance Facility funding support will be submitted by Implementing Partners directly to the Secretariat. Request for the Finance Facility's project preparation support will need to be submitted together with a "no-objection letter" obtained from the authority of the project concerned country or countries in the format as required by the operational policies and/or procedures of the Implementing Partner. The "no-objection letter" shall include a statement specifying explicitly that the project concerned country has no-objection to the Implementing Partner's proposal to seek funding support from the Finance Facility to support preparation work for the project.⁴

⁴ The no-objection letter shall be obtained from the Ministry of Finance or other authorized agency of the concerned country that has the capacity to make such a statement on behalf of the government and is recognized by the Implementing Partner as the official focal point for communication with the government.

7.1.2 Preparation of proposals shall follow templates shown in **Annex 1**. Proposals may be prepared on an individual project basis or as a multi-project program that includes a number of sub-projects to jointly achieve a common sectoral or thematic objective. The proposal for a multi-project program shall provide all the detailed information of the first sub-project under the program. Detailed information for subsequent sub-projects under an approved multi-project program may be provided later, when such information become available during program implementation. Implementing Partners will be required to prepare a project proposal to provide the required operational details for a subsequent sub-project following the applicable template provided in Annex 1, when any of the subsequent sub-projects under an approved multi-project program is ready for implementation.

7.1.3 Key information requirements for each proposal include, among others, the following:

(i) Project preparation support

- Brief description of the project or program of investments (physical and non-physical in nature) and other relevant information to demonstrate consistency with key funding criteria;
- Proposed processing approach and schedule for the project, or for sub-projects included in a multi-project program;
- Identity and role of the New Partners and the joint teams, where applicable;
- Planned budget, proposed financing plan and financing sources for the project, or for sub-projects included in a multi-project program.

(ii) Capacity Building

The Finance Facility will require that proposals include background information on the core issues to be addressed through the proposed technical assistance for capacity building, planned capacity building activities, estimated costs and proposed financing plan.

(iii) Information and knowledge sharing

The Finance Facility will require that proposals include background information on the specific activity being proposed and/or the specific learning or information and knowledge sharing event planned, estimated costs and proposed financing plan, target audience, speakers, location, delivery formats, and expected results.

7.1.4 Proposals submitted for funding support shall have been approved internally by the Implementing Partners for implementation, or shall have been cleared within the Implementing Partners as the basis to seek funding support from the Finance Facility ahead of Implementing Partners' approval for implementation. Implementing Partners will be responsible for the quality and accuracy of the facts, data, and analyses presented in their proposals in accordance with their own internal quality control standards, and will be accountable for delivery of the outputs, outcome and impact stated in their proposals.

2. Review of Proposals

7.2.1 The Secretariat will share the proposals received from Implementing Partners with the Coordination Committee for information and will seek comments and advice from the Coordination Committee on these proposals. The Coordination Committee members will have a **10-calendar day review period** to review and provide comments and advice on a proposal.

7.2.2 In parallel, the Secretariat will have a **10-calendar day review period** to review and screen each proposal for consistency with the Finance Facility requirements and level of completeness as provided in this Operations Manual. If a proposal is not materially consistent with the Finance Facility requirements, the Secretariat will convey to the Implementing Partner the areas where it sees gaps. Proposals may then be re-submitted by the Implementing Partner in response to the issues raised. Once a proposal is deemed consistent with the Finance Facility requirements and complete, and after receiving comments and advice from members of the Coordination Committee, the Secretariat will forward the proposal together with the comments and advice received from the Coordination Committee to the Governing Committee for review and approval.

3. Approval Process

A. Approval of Technical Assistance Proposals

7.3.1 Proposals seeking technical assistance funding support from the Finance Facility will be approved by the Governing Committee through one of the following procedures: approval in accordance with no-objection procedures, approval at a meeting (to be held in person or

virtually as the Governing Committee may determine),⁵ or approved by the Secretariat pursuant to the delegation of the approval authority made to the Secretariat under this Operations Manual.

7.3.2 The Governing Committee will have a **10-working day** review period in the case of a no-objection approval procedure. Upon completion of the 10-working day review period, if none of the voting members on the Governing Committee objects to approving a proposal or requests a meeting or voting, the proposal will be deemed to have been approved by the Governing Committee on a no-objection basis.

7.3.3 In the case where a member of the Governing Committee requests additional information prior to making a decision on a proposal, the review for that proposal would need to be put on hold while the concerned Implementing Partner prepares the requested information. The review period may be extended as needed, taking into account the time spent by the Implementing Partner for preparing the requested information for the Governing Committee.

7.3.4 The Secretariat will communicate with the Chair of the Governing Committee to schedule a meeting if a proposal requires approval at a meeting or through voting by the Governing Committee.

7.3.5 In the case of the approval through delegation of approval authority to the Secretariat, the Secretariat will approve proposals as authorized within **5 working days** after receiving comments and advice from the Coordination Committee members. The Secretariat will inform the Governing Committee of its approval and transmit to the Governing Committee for information the comments and advice received from the Coordination Committee. This approval procedure excludes the approval of any matter related to administrative budgets for the Secretariat or the Administrator.

⁵ Decision of the Governing Committee may be taken by consensus at the meeting or through voting if voting is requested in accordance with the voting procedures set forth in the Rules of Procedures of the Governing Committee.

7.3.6 The following general criteria will guide a determination as to which approval procedure will be applied:

- **Approval by the Governing Committee at a meeting:**
 - Proposal for a first individual project in a country, in a sector, or with a particular New Partner, regardless of the size of the funding support or other features involved;
 - Proposals for multi-project programs, including first sub-projects under such programs, relating to project preparation, capacity building, and information and knowledge sharing.

- **Approval by the Governing Committee on a no-objection basis:**
 - Proposals for individual projects (relating to project preparation, capacity building and information and knowledge sharing, including requests for pre-concept paper support);
 - Proposals for subsequent sub-projects under a previously approved multi-project program (relating to project preparation, capacity building and information sharing).

- **Approval authority delegated from the Governing Committee to the Secretariat:**
 - Proposals for capacity building activities valued at **USD100,000** or less;
 - Proposals for information and knowledge sharing activities valued at **USD50,000** or less.

7.3.7 In the context of approval procedures set forth in Paragraph 7.3.6, any proposal for information and knowledge sharing events or programs to be conducted through the Collaboration Platform shall be reviewed and agreed by the Coordination Committee prior to the approval by the Governing Committee.

B. Approval of Administrative Budgets

7.3.8 The Secretariat, in coordination with the Administrator, will prepare and submit a proposed annual work plan and the Finance Facility's administrative budget for approval by the Governing Committee **at a meeting**. The administrative budget of the Finance Facility comprises: (i) the administrative budget for the Secretariat, and (ii) the administrative budget for the Administrator.

7.3.9 The administrative budget of the Secretariat covers the budget for day-to-day operation of the Secretariat and the budget for Secretariat support for the Coordination Committee and related activities of the Collaboration Platform (including development and maintenance of the MCDF website). The proposed work plan and the related budget for support of the Coordination Committee and the related activities of the Collaboration Platform are to be reviewed and agreed by the Coordination Committee prior to their inclusion in the proposed annual work plan and administrative budget of the Finance Facility for approval by the Governing Committee.

4. Activity Scope Changes

7.4.1 If the scope and costs of an approved technical assistance project, including a sub-project under an approved multi-project program require adjustments, the Implementing Partner may request the approval of a variation in the approved allocation. Request for variation in an amount at or below 50% percent of the original allocation will be approved by the Governing Committee on a **no-objection basis**. In the extreme cases where the requested variation is above 50% of the original allocation, the request will be submitted to the Governing Committee for approval **at a meeting**.⁶

7.4.2 If the initial ceiling set for pre-concept paper support needs an increase in view of demand from the Implementing Partners, the Secretariat will prepare a proposal for approval by the Governing Committee on a **no-objection basis**.

7.4.3 Any request for increase in the approved administrative budgets will need to be approved by the Governing Committee **at a meeting**. Request for increase in the administrative budget to support the Coordination Committee and related activities of the Collaboration Platform will need to be agreed by the Coordination Committee prior to the Secretariat's submission of the request to the Governing Committee for approval **at a meeting**.

⁶ In the event the approved allocation for a specific project or program is decreased as a result of the requested adjustment, the corresponding amount of the original allocation approved for the concerned project or program will be cancelled.

VIII. PROJECT IMPLEMENTATION

1. *Project Implementation*

8.1.1 Implementing Partners will be responsible for implementing the approved technical assistance projects or programs in accordance with their respective operational policies and procedures, including but not limited to their procurement, financial management, disbursement, and safeguards policies and procedures, and in accordance with the project or program designs, including but not limited to the financing plans and implementation schedules, provided in their proposals as approved by the Governing Committee.

2. *Commitment and Request for Funds Transfer*

8.2.1 After the Governing Committee's approval of the proposed project or program, the Administrator will make commitment for the approved allocation on a project basis, or on a sub-project basis in the case of an approved multi-project program in accordance with the approval by the Governing Committee. Following the commitment from the Administrator, the Implementing Partner will be required to submit a funds transfer request to the Administrator to request transfer of the approved funds from the Finance Facility to meet the Implementing Partner's operation needs for project implementation. Request for funds transfer shall be made on a project basis, or on a sub-project basis in the case of an approved multi-project program.

8.2.2 In the case where a project, a multi-project program, or a sub-project under a multi-project program still needs to complete the Implementing Partner's internal approval procedure after securing funding support from the Finance Facility as noted in Paragraph 7.1.4, the Implementing Partner will be required to complete its internal approval procedure first, prior to submitting a funds transfer request to the Administrator for the concerned project or sub-project.

8.2.3 For a subsequent sub-project under an approved multi-project program, the funds transfer request shall be submitted, after the Governing Committee has approved the proposal for the sub-project.

3. *Financing Administrative Costs Associated with Project Implementation*

8.3.1 At the time of transferring the requested funds for a project or a sub-project under an approved multi-project program, the Implementing Partner will be paid a fee in the amount of

five percent (5%) of the allocation that has been approved for the project or sub-project. The fee is paid to cover the Implementing Partner's administrative costs associated with project implementation, which include, but not limited to, the costs that the Implementing Partner may incur in keeping separate records for the Finance Facility-funded operations, in administering the funds received from the Finance Facility, and in monitoring and reporting implementation performance of the Finance Facility-funded project or sub-project.

IX. REPORTING AND MONITORING

9.01 Each Implementing Partner will be required to prepare a consolidated annual report on implementation of all the Finance Facility supported projects (for project preparation, capacity building, and information and knowledge sharing) in accordance with the format set forth in **Annex 2**. The annual report should be submitted to the Secretariat **on or before March 31** of each year, following the end of the MCDF reporting period (January 1 to December 31) of the previous year. This report should include information on progress made with respect to each project including each sub-project under an approved multi-project program (including an assessment of the progress made by New Partners in adoption of Accredited IFI Standards through joint project preparation work, where applicable), list issues and corrective actions, and highlight lessons learned during implementation. It will also include any results and monitoring framework updates, as well as any other material information.

9.02 Implementing Partners will also be required to prepare a project completion report upon completion of each technical assistance project, including each sub-project under an approved multi-project program, funded by the Finance Facility. The project completion report may be prepared in accordance with the format and contents of the Implementing Partner's own project completion reports. In addition, the project completion report should include an assessment made by the involved New Partner(s) on progress achieved in adoption and application of Accredited IFI Standards, where applicable.

9.03 Based on the annual reports received from the Implementing Partners as well as the project completion reports completed during the reporting period, the Secretariat will prepare a summary report on implementation of the Finance Facility funded-projects for submission to the Governing Committee **on or before May 31** of each year. The summary report will be made public upon completion of review by the Governing Committee.

X. AMENDMENT OF THE OPERATIONS MANUAL

10.01 This Operations Manual may be amended, after consultation with the Coordination Committee, with approval by the Governing Committee on a **no-objection basis**. The Secretariat will monitor the use of this Operations Manual, and will be responsible for preparing any proposal for amendment, taking into account the development of the Finance Facility operations, for consideration by the Governing Committee.