



Helen.Walsh

Subject UNEP capital funds

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Colleagues,

I notice that the work program contains a \$3 m Grant for UNEP to design and create a \$250 million public/private energy efficiency fund for countries in Eastern Europe and the former Soviet Union. The US is on record as being opposed to UNEP engaging in such activities with GEF funds, and has reserved the right to call for a vote if such a project is proposed. This seems to be such a case. We recognize that none of the money would be part of the fund, and that a separate fund manager will be chosen, but UNEP would still be involved in fairly consequential decisions having to do with the fund, most importantly the selection of the fund manager, and GEF would still face a reputational risk. Therefore, we reserve the right to call for a vote on this project.

Our concerns on this issue have been clearly stated: The GEF Instrument did not envision UNEP engaging in this kind of activity (only enabling activities and technical assistance). We do not believe that UNEP has the requisite technical skills and fiduciary framework, project-at-risk systems or effective and independent monitoring and evaluation systems to engage in these riskier activities for the GEF. The World Bank and the regional development banks were intended to do these kinds of transactions.

There are a couple of amendments to the project that might allay our concerns: change the implementing agency to the World Bank/IFC or EBRD, or have one of these institutions jointly implement it (in the FORMAL GEF sense, with a clear understanding that World Bank or EBRD would conduct all fiduciary responsibilities). Given the mishap last June, we would need to see these amendments in writing at the time of council consideration.

We're happy to discuss this, but let there be no mistake: the U.S. reserves the right to call for a vote on this project if UNEP remains the sole IA. It is that serious of an issue to us.

Finally, we would note that we are also being asked to consider at the Council meeting a private sector strategy that involves a private sector fund for the GEF. This UNEP project casts serious doubt in our minds of the wisdom of such a course.

I hope we can fix this problem because we have so many other issues to discuss.

Regards,

Helen

Helen C. Walsh
Senior Advisor
Office of Multilateral Development Institutions
International Affairs
US Department of Treasury
202 622-1265 (phone)
202 622-2023 (fax)
helen.walsh@do.treas.gov

To: Lgood@Thegef.Org
Pblissguest@Thegef.Org
Ahmed.Djoghla@Unep.Org
cc: Sgorman@Worldbank.Org
Frank.Pinto@Undp.Org
Rramankutty@Thegef.Org
Mark.Jaskowiak@Do.Treas.Gov