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TO: Official Documents Desk, MSN MC 6-340

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FROM: Andrea Stump, Senior Counsel, LEGCF *6/4/28/05*

EXTENSION: 88654

SUBJECT: **Global Environment Facility (GEF): Direct Access to GEF Resources
Memorandum of Understanding between the African Development Bank, the
African Development Fund and the GEF Secretariat**

Attached is/are the original of Official Document(s) described below for safekeeping and IRIS4 filing.

Description of Document	Notes/Comments
Memorandum of Understanding dated February 9, 2005 between the African Development Bank, the African Development Fund and the Secretariat of the Global Environment Facility on Direct Access to GEF Resources.	
No. of Pages: 11	

MEMORANDUM OF UNDERSTANDING

between

THE AFRICAN DEVELOPMENT BANK,

THE AFRICAN DEVELOPMENT FUND

and

**THE SECRETARIAT OF
THE GLOBAL ENVIRONMENT FACILITY**

on

DIRECT ACCESS TO GEF RESOURCES

February 9, 2005

MEMORANDUM OF UNDERSTANDING

MEMORANDUM OF UNDERSTANDING, dated February 9, 2005, between the SECRETARIAT OF THE GLOBAL ENVIRONMENT FACILITY (respectively, "the Secretariat" and "GEF"), the AFRICAN DEVELOPMENT BANK ("AfDB") and the AFRICAN DEVELOPMENT FUND ("AfDF").

WHEREAS, pursuant to paragraphs 20(f) and 28 of the *Instrument for the Establishment of the Restructured Global Environment Facility* ("the Instrument"), the Council of the GEF (the "Council") has the authority to approve and periodically review operational modalities for the GEF, including means to facilitate arrangements for project preparation and execution by multilateral development banks;

WHEREAS, effective May 7, 1999, pursuant to such authority, and on the basis of document GEF/C.13/3, *Expanded Opportunities for Executing Agencies*, the Council approved a proposal to allow for the participation of regional development banks in the preparation of GEF projects and for their direct access from the Chief Executive Officer/Chairperson of the GEF (the "CEO") to certain Project Preparation and Development Facility resources, namely PDF-B grants (the "Expanded Opportunities Decision");

WHEREAS, effective November 21, 2003, pursuant to the powers granted to it under paragraphs 20(f) of the Instrument, and on the basis of document GEF/C.22/12 *Review of Experiences of Executing Agencies under Expanded Opportunities*, the Council approved a proposal to expand direct access of all executing agencies, acting within their agreed scope for GEF operations, to GEF resources to include, (i) direct access to allocations of GEF resources from the Council and the CEO for the implementation of GEF projects (medium and full size projects); and (ii), on a case-by-case basis, allocations from the CEO of certain PDF resources, namely "PDF-A" grants (the "Executing Agencies Direct Access Decision");

WHEREAS, AfDB and AfDF desire to participate in the preparation and implementation of GEF projects pursuant to the Expanded Opportunities Decision and the Executing Agencies Direct Access Decision so as to secure GEF resources for such preparation and implementation activities; and

WHEREAS, the Secretariat, AfDB and AfDF now desire to enter into a Memorandum of Understanding which will govern the manner in which each of AfDB and AfDF will seek allocations of GEF resources for the preparation and implementation of GEF projects from the Council and the CEO, as appropriate, and the respective duties and responsibilities of the Secretariat, AfDB and AfDF with respect to allocations of such resources made to each of AfDB and AfDF (the "MOU").

NOW, THEREFORE, the Secretariat, AfDB and AfDF agree as follows:

ARTICLE 1

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Preamble to this MOU shall have the respective meanings set forth therein and the following additional terms shall have the following meanings:

- (a) "Agency" means AfDB or AfDF, as the context requires;
- (b) "Allocation" means the GEF resources approved by the Council or the CEO, as appropriate, as allocable to the Agency on the basis of a Project Document;
- (c) "Executing Agencies" means the executing agencies who implement GEF Projects under the Expanded Opportunities Decision and/or the Executing Agencies Direct Access Decision;
- (d) "Financial Procedures Agreement" means the Financial Procedures Agreement between AfDB, AfDF and the International Bank for Reconstruction and Development as Trustee of the GEF Trust Fund, dated as of the date hereof;
- (e) "GEF Account" means the account(s) established and maintained jointly by AfDB and AfDF in accordance with the terms of the Financial Procedures Agreement, for purposes of receiving, holding and administering GEF funds;
- (f) "GEF/AfDB Sub-Account" means the sub-account(s) of the GEF Account established and maintained jointly by AfDB and AfDF in accordance with the terms of the Financial Procedures Agreement, for purposes of receiving, holding and administering GEF funds transferred to AfDB by the Trustee for GEF activities by AfDB;
- (g) "GEF/AfDF Sub-Account" means the sub-account(s) of the GEF Account established and maintained jointly by AfDB and AfDF in accordance with the terms of the Financial Procedures Agreement, for purposes of receiving, holding and administering GEF funds transferred to AfDF by the Trustee for GEF activities by AfDF;
- (h) "GEF Project" means a project, project component(s) or project preparation activities for which GEF funding has been approved;
- (i) "GEF Trust Fund" means the Global Environment Facility Trust Fund established in accordance with the Instrument;
- (j) "Major Changes" has the meaning assigned to the term in Annex D of Document, GEF/C.22/Inf.9, *GEF Project Cycle: An Update*;
- (k) "Project Document" means a document submitted by the Agency to the Secretariat seeking approval of an allocation of GEF resources to the Agency from the Council or the

CEO, as appropriate, for a project, project component(s) or project preparation activities that promote(s) achievement of the purposes of the GEF; and

- (l) "Trustee" means the International Bank for Reconstruction and Development acting as Trustee of the GEF Trust Fund in accordance with paragraph 8 and Annex B of the Instrument.

ARTICLE II

General Principles

Section 2.01. All provisions of this MOU shall be interpreted and carried out in accordance with the Instrument and policies and decisions of the Council, the Agreement Establishing the African Development Bank and the Agreement Establishing the African Development Fund, and in a manner consistent with the regulations and rules, guidelines, directives and procedures of the Secretariat, AfDB and AfDF.

Section 2.02. AfDB and AfDF shall be jointly and severally liable for the performance of all rights and obligations of AfDB and AfDF hereunder.

Section 2.03. If any decisions or guidance referred to under section 2.01 are inconsistent with the pertinent policy or practice of the GEF, AfDB or AfDF, the Secretariat and AfDB or AfDF, as the case may be, shall promptly take all appropriate actions to resolve any such inconsistency.

ARTICLE III

Administration of GEF Funds

Section 3.01. From time to time the Agency shall submit proposals to the Secretariat seeking the allocation of GEF resources to the Agency for projects or project preparation activities that promote achievement of the purposes of the GEF. Each proposal shall be set out in a Project Document, in a form agreed between the Secretariat and the Agency, which shall contain a description of the activities to be funded by the GEF, a specific budget for such activities and a proposed Allocation amount.

Section 3.02. The proposals submitted by the Agency to the Secretariat shall be reviewed by the Secretariat and forwarded to the Council or the CEO, as appropriate, for approval in accordance with GEF policies and practices. Any proposal approved by the Council shall be submitted as a final project proposal by the Agency to the CEO for endorsement before final project approval by the Agency. The final Allocation amount to be provided to the Agency for each proposal shall be the amount specified in the final project proposal approved or endorsed, as appropriate, by the CEO.

Section 3.03. All Allocations shall be denominated in US Dollars. GEF resources received by the Agency pursuant to this MOU may be freely converted by the Agency into any other currency as may facilitate their disbursement.

Section 3.04. The commitment and transfer of funds to the Agency pursuant to this MOU shall be effected in accordance with the terms of the Financial Procedures Agreement.

Section 3.05. GEF funds made available to the Agency in respect of each Allocation shall be disbursed by the Agency in accordance with the Agency's standard rules and procedures.

Section 3.06. Notwithstanding the amount specified for a specific budget line item set out in a Project Document approved by the Council or the CEO, as appropriate, for a given Allocation, the Agency may reallocate funds provided for a specific budget line item under a given Allocation among the categories of items to be funded by such Allocation in accordance with the Agency's standard procedures so long as such reallocation does not effect Major Changes to the GEF Project for which the Allocation is provided. The Agency shall inform the Secretariat of any such modifications in accordance with the GEF's operational policies and procedures.

Section 3.07. In the event that any proposed modification to the specific budget set out in an approved Project Document is likely to effect Major Changes to the GEF Project for which the Allocation is provided, the Agency shall inform the Secretariat of any such proposed modification and seek the Secretariat's guidance on the necessary steps to be taken to effect such proposed modification.

ARTICLE IV

Fees

Section 4.01. In accordance with the policies and procedures approved by the Council for the determination and payment of project cycle management services fees payable to the Executing Agencies, as such policies and procedures may be amended from time to time, and implemented by the Secretariat, the Agency shall receive a fee for project cycle management services performed pursuant to this MOU.

ARTICLE V

Standard of Care

Section 5.01. Each of AfDB and AfDF shall be jointly and severally responsible for the administration of GEF funds made available to them and will carry out such administration in accordance with their regulations and rules, standard practices and procedures and with the same

degree of care as they use in the administration of their own funds, taking into account the provisions of this MOU.

Section 5.02. Each Agency shall take all appropriate measures to ensure that each Allocation is used for the purposes for which it was provided, as set out in the pertinent Project Documents, and shall be accountable to the Council for all activities funded by the Allocations, including the preparation and cost-effectiveness of GEF Projects, and for the implementation of the operational policies, strategies and decisions of the Council with respect to such activities. In the event of any conflict between such operational policies, strategies and decisions of the Council and the operational policies and procedures of the Agency, the operational policies, strategies and decisions of the Council will prevail.

ARTICLE VI

Procurement

Section 6.01. The procurement of goods and services (including consultants' services) for activities financed by the Allocations shall be done in accordance with the Agency's regulations and rules, policies, guidelines and procedures. The recording and reporting to the Secretariat shall be done in a manner agreed between the Agency and the Secretariat.

ARTICLE VII

Records and Reporting

Section 7.01. Each Agency shall provide the Secretariat with the following reports and financial statement on the GEF/AfDB Sub-Account and the GEF/AfDF Sub-Account, as the case may be, prepared in accordance with the Agency's accounting and reporting procedures:

- (a) annual report on status of GEF Projects in the Agency's portfolio for financing from the GEF/AfDB Sub-Account or the GEF/AfDF Sub-Account, as the case may be, substantially in the form of Attachment 1 attached hereto;
- (b) as soon as practicable after the termination of this MOU, a final audited financial statement for the GEF/AfDB Sub-Account or the GEF/AfDB Sub-Account, as the case may be; and
- (c) such other reports, including reports on procurement of goods and services for activities financed by the Allocation, as may reasonably be requested by the Secretariat from time to time.

The financial statement referred to in paragraph (b) above will be identical in form and content to the report to be furnished to the Trustee pursuant to Section 12.2 (f) of the Financial Procedures Agreement.

Section 7.02. Each Agency shall provide the Monitoring and Evaluation Unit of the GEF with such reports as may reasonably be requested by such unit from time to time.

ARTICLE VIII

GEF Activities

Section 8.01. Each Agency shall be responsible for:

- (a) Ensuring that the documentation (including but not limited to Project Documents) submitted by the Agency to the Secretariat for review and/or approval meet GEF requirements, including consistency with the GEF's operational policies and procedures and the form required by the Secretariat;
- (b) Ensuring that the development, preparation, implementation, monitoring and evaluation of the activities financed by the Allocations are consistent with the GEF's operational policies and procedures, particularly those concerning eligibility criteria, the estimation of incremental costs, the definition of global benefits, the GEF project cycle, including project monitoring and evaluation, and the policy for stakeholder participation and disclosure of information;
- (c) Preparing the Agency's Project Documents for consideration by the Secretariat and approval by the Council or the CEO, as appropriate;
- (d) Administering and managing the use of funds provided pursuant to this MOU;
- (e) Supervising activities performed under approved Project Documents;
- (f) Reporting to the Secretariat in accordance with Article VII hereof; and
- (g) Informing the Secretariat of any conditions it believes may interfere with its performance of its obligations under this MOU or the implementation of any activities due to be performed under any Project Document.

Section 8.02. At the request of the Agency, the Secretariat shall provide guidance to the Agency on GEF's operational policies and procedures and forms so as to assist the Agency in the discharge of its responsibilities under Section 8.01.

ARTICLE IX

Consultation

Section 9.01. Each Agency and the Secretariat shall consult and share information with each other from time to time and at the request of either party on matters arising out of this MOU.

ARTICLE X

Communications

Section 10.01. All communications concerning this MOU shall be made to the relevant person at the address, facsimile number, telephone number or electronic mail address, from time to time designated by that party to the other for that purpose. The address, facsimile number, telephone number and electronic mail address so designated are set out below.

(a) For AfDB:

The African Development Bank

Angle des trois rues: Avenue du Ghana, Rue Pierre de Coubertin, Rue Hedi Nourira
BP. 323
1002 Tunis Belvedere
Tunisia

Attention: Head, Sustainable Development Unit

Telephone: (216) 71102178
Fax: (216) 71103775
Electronic mail: y.vyas@afdb.org

(b) For AfDF:

The African Development Fund

Angle des trois rues: Avenue du Ghana, Rue Pierre de Coubertin, Rue Hedi Nourira
BP. 323
1002 Tunis Belvedere
Tunisia

Attention: Head, Sustainable Development Unit

Telephone: (216) 71102178
Fax: (216) 71103775

Electronic mail: y.vyas@afdb.org

(c) For the Secretariat:

Global Environment Facility
1818 H Street, N.W.
Washington, D.C. 20015
USA

Attention: Deputy Chief Executive Officer

Telephone: +1 (202) 473 4678

Fax: +1 (202) 522 3240/3245

Electronic mail: pblissguest@TheGEF.org

ARTICLE XI

Amendment

Section 11.01. This MOU may be amended at any time by the written agreement of AfDB, AfDF and the Secretariat.

ARTICLE XII

Termination

Section 12.01. This MOU may be terminated by AfDB, AfDF or the Secretariat. This MOU shall cease to be in force sixty (60) days after any party gives to the other parties written notice of its desire to terminate the MOU.

Section 12.02. Upon the giving of such notice, unless otherwise agreed between them, AfDB, AfDF and the Secretariat shall consult on the most practical and effective means of terminating any uncompleted activities to be implemented under approved Project Documents. In the event the MOU is terminated, each of AfDB and AfDF shall continue to hold GEF funds provided pursuant to approved Project Documents until all outstanding commitments and liabilities incurred for the activities financed by GEF resources allocated to AfDB and AfDF, respectively, have been satisfied. Following the satisfaction of such commitments and liabilities, each AfDB and AfDF shall return any unused GEF funds to the Trustee in accordance with the terms of the Financial Procedures Agreement.

Section 12.03. If any dispute arising out of or relating to this MOU or any Project Document(s) cannot be settled by agreement of the parties, the CEO, in consultation with the Trustee, when appropriate, shall inform the Council and seek the Council's advice with respect to a resolution. The CEO shall invite AfDB or AfDF, as applicable, to participate in any Council

meeting at which the resolution of any such dispute will be discussed.

ARTICLE XIII

Effectiveness

Section 13.01. This MOU shall be effective as of the date aforementioned on the first page of this MOU.

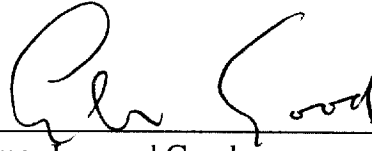
ARTICLE XIV

Execution in Counterparts

Section 14.01. This MOU may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed this MOU with effect from the date aforementioned on the first page of this MOU.

SECRETARIAT OF THE GLOBAL ENVIRONMENT FACILITY



Name: Leonard Good
Title: CEO/Chairman

THE AFRICAN DEVELOPMENT BANK



Name: Chanel Boucher
Title: Vice President, Policy, Planning & Research

THE AFRICAN DEVELOPMENT FUND



Name: Chanel Boucher
Title: Vice President, Policy, Planning & Research

Annual Report on Status of GEF Projects in Portfolio of [AfDB or AfDF]* for financing from [the GEF/AfDB Sub-Account or GEF/AfDF Sub-Account Account]*

Standard Information										Information Provided by Agency			
Table 1 For ORGP													
Agency GEF ID	Agency PMIS ID	Agency Name	Country	Project Name	Project Type	Focal Area	Project Approval Date (Council/ CEO)	Project Approval Amount (Council/ CEO)	CEO Endorsement Date (FP and Non Expedited)	CEO Endorsed Amount (FP and Non Expedited)	Agency Approval Date	Project Description	Implementation Status

Table 2 Disbursements													
Agency GEF ID	Agency PMIS ID	Agency Name	Country	Project Name	Project Type	Focal Area	Project Approval Date (Council/ CEO)	Project Approval Amount (Council/ CEO)	CEO Endorsement Date (FP and Non Expedited)	CEO Endorsed Amount (FP and Non Expedited)	Agency Approval Date	Disbursement (Current FY)	Disbursement (Cumulative)

Note: The following terms have the following meanings:
 ORGP: Operational Report for GEF Projects; PMIS: Project Management Information System;
 FP: Full-Sized Projects.

* Use as appropriate.