

MEMORANDUM OF UNDERSTANDING

between

**EUROPEAN BANK FOR RECONSTRUCTION AND
DEVELOPMENT**

and

**THE SECRETARIAT OF
THE GLOBAL ENVIRONMENT FACILITY**

concerning

EBRD'S DIRECT ACCESS TO GEF RESOURCES

November 6, 2006

MEMORANDUM OF UNDERSTANDING

MEMORANDUM OF UNDERSTANDING, dated November 6, 2006, between the SECRETARIAT OF THE GLOBAL ENVIRONMENT FACILITY (respectively, the "Secretariat" and "GEF") and the EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT ("EBRD").

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;

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 EBRD, 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" resources (the "Expanded Opportunities Decision");

Following the Expanded Opportunities Decision, the Secretariat and EBRD entered into a Letter Agreement and Memorandum of Understanding dated January 18, 2001, concerning the manner in which EBRD would request PDF-B resources from the Secretariat and the respective duties and responsibilities of the Secretariat and EBRD with respect to allocations of such resources made to EBRD;

Effective November 21, 2003, pursuant to the power granted to it under paragraph 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 EBRD's direct access 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" resources (the "Executing Agencies Direct Access Decision"); and

The Secretariat and EBRD now desire to replace the Letter of Agreement and Memorandum of Understanding of January 18, 2001 with a Memorandum of Understanding which will govern the manner in which EBRD will seek allocations of GEF resources for the preparation and implementation of GEF projects from the CEO and the Council, as appropriate, and the respective duties and responsibilities of the Secretariat and EBRD with respect to allocations of such resources made to EBRD (the "MOU").

The Secretariat and EBRD have reached the following understandings:

1.0 Definitions

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

- (a) “EBRD/GEF Fund” means the fund established and maintained by EBRD in accordance with the terms of the Financial Procedures Agreement, for purposes of receiving, holding and administering GEF funds;
- (b) “Allocation” means the GEF resources approved by the Council or the CEO, as appropriate, as allocable to EBRD 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 EBRD and the International Bank for Reconstruction and Development as Trustee of the Global Environment Facility Trust Fund, dated as of the date hereof;
- (e) “GEF Project” means a project, project component(s) or project preparation activities for which GEF funding has been approved;
- (f) “GEF Trust Fund” means the Global Environment Facility Trust Fund established in accordance with the Instrument;
- (g) “Major Changes” has the meaning assigned to the term in Annex D of Document, GEF/C.22/Inf.9, *GEF Project Cycle: An Update*;
- (h) “Project Document” means a document submitted by EBRD to the Secretariat seeking approval of an allocation of GEF resources to EBRD 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
- (i) "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.

2.0 General Principles

2.01. All provisions of this MOU will be interpreted and carried out in accordance with the Instrument and policies and decisions of the Council and the Agreement Establishing the European Bank for Reconstruction and Development, and in a manner consistent with the regulations and rules, guidelines, directives and procedures of the Secretariat and EBRD.

2.02. If any decisions or guidance referred to under section 2.01 are inconsistent with the pertinent policy or practice of the GEF or EBRD, the Secretariat and EBRD will promptly take all appropriate actions to resolve any such inconsistency.

3.0 Administration of GEF Funds

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

3.02. The proposals submitted by EBRD to the Secretariat will 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 will be submitted as a final project proposal by EBRD to the CEO for endorsement before final project approval by EBRD. The final Allocation amount to be provided to EBRD for each proposal will be the amount specified in the final project proposal approved or endorsed, as appropriate, by the CEO.

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

3.04. Any commitment and transfer of funds to EBRD pursuant to this MOU will be effected in accordance with the terms of the Financial Procedures Agreement.

3.05. GEF funds made available to EBRD in respect of each Allocation will be disbursed by EBRD in accordance with EBRD's standard rules and procedures.

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, EBRD 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 EBRD's standard procedures so long as such reallocation does not effect Major Changes to the GEF Project for which the Allocation is provided. EBRD will inform the Secretariat of any such modifications in accordance with the GEF's operational policies and procedures.

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, EBRD will 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.

3.08 The Secretariat will inform EBRD of any changes to GEF operational policies and procedures.

4.0 Fees

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, EBRD will receive a fee for project cycle management services performed pursuant to this MOU.

5.0 Standard of Care

5.01. EBRD will be solely responsible for the administration of Allocations and will carry out such administration in accordance with its regulations and rules, standard practices and procedures and with the same degree of care as it uses in the administration of its own funds, taking into account the provisions of this MOU.

5.02. EBRD will 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 will 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.

6.0 Procurement

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

7.0 Records and Reporting

7.01. EBRD will provide the Secretariat with the following reports and financial statements on the EBRD/GEF Fund prepared in accordance with EBRD's accounting and reporting procedures:

- (a) annual report on status of GEF Projects in EBRD's portfolio for the EBRD/GEF Fund, 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 EBRD/GEF Fund which 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; 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 or by the Monitoring and Evaluation Unit of the GEF from time to time.

8.0 GEF Activities

8.01. EBRD will be solely responsible for:

- (a) Ensuring that the documentation (including but not limited to Project Documents) submitted by EBRD 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. Notwithstanding the above, changes in GEF's operational policies and procedures may not be applied retroactively in instances where EBRD has concluded agreements with third parties for the implementation of approved Projects; however EBRD will seek to comply with any changes to GEF operations policies and procedures in relation to such agreements, to the extent practicable;
- (c) Preparing EBRD'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 to it pursuant to this MOU;
- (e) Supervising activities performed under approved Project Documents;
- (f) Reporting to the Secretariat in accordance with Section 7 herein; and
- (g) Informing the Secretariat of any conditions it believes may interfere with its performance of its responsibilities under this MOU or the implementation of any activities to be performed under any Project Document.

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

9.0 Consultation

9.01. EBRD and the Secretariat will consult and share information with each other from time to time and at the request of either participant on matters arising out of this MOU.

10.0 Communications

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

(a) For EBRD:

European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN
United Kingdom

Attention: Director, Official Co-Financing Unit

Telephone: +44 (207) 338-6205

Fax: +44 (207) 338-6528

Electronic mail: bondg@ebrd.com

(b) 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 1075

Fax: +1 (202) 522 3240/3245

Electronic mail: pblissguest@thegef.org

11.0 Amendment

11.01. This MOU may be amended at any time by the written approval of EBRD and the Secretariat.

12.0 Termination

12.01. This MOU may be terminated by EBRD or the Secretariat. This MOU will cease to be in force sixty (60) days after either participant gives to the other written notice of its desire to terminate the MOU.

12.02. Upon the giving of such notice, unless otherwise agreed between them, EBRD and the Secretariat will 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, EBRD will 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 EBRD have been satisfied. Following the satisfaction of such commitments and liabilities, EBRD will return any unused GEF funds to the Trustee in accordance with the terms of the Financial Procedures Agreement.

13.0 Dispute Resolution

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, will inform the Council and may seek the Council's advice with respect to a resolution. The CEO will invite EBRD to participate in any Council meeting at which the resolution of any such dispute will be discussed.

14.0 Privileges and Immunities

14.01. Nothing in or relating to any provision of this MOU will be construed as constituting a waiver, either expressed or implied, of the policies, rules and regulations, or any of the privileges, immunities or exemptions, of EBRD.

15.0 Effectiveness

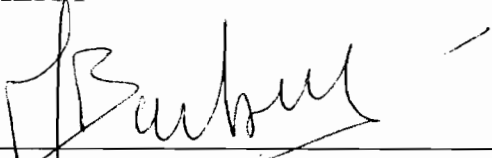
15.01. This MOU will be effective as of the date aforementioned on the first page of this MOU and will supersede and replace the Letter Agreement and the Memorandum of Understanding incorporated thereto between EBRD and the Secretariat, dated January 18, 2001.

16.0 Execution in Counterparts

16.01. This Memorandum of Understanding may be executed in any number of counterparts, all of which taken together will 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: Monique Barbut
Title: Chief Executive Office and Chairperson

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT



Name: Gary Bond
Title: Director, Official Cofinancing

Attachment 1

Annual Report on Status of GEF Projects in EBRD's Portfolio for the EBRD/GEF Fund

Table 1 For ORGP

Standard Information										Information Provided by Agency		
Agency 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)	Endorsed Amount (FP and Non Expedited)	Agency Approval Date	Project Description	Implementation Status
GEF 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)	Endorsed Amount (FP and Non Expedited)	Agency Approval Date	Project Description	Implementation Status

Table 2 Disbursements

Standard Information										Information Provided by Agency		
Agency 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)	Endorsed Amount (FP and Non Expedited)	Agency Approval Date	Disbursement (Current FY)	Disbursement (Cumulative)
GEF 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)	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.