

MEMORANDUM OF UNDERSTANDING

between

THE INTER-AMERICAN DEVELOPMENT BANK

and

**THE SECRETARIAT OF
THE GLOBAL ENVIRONMENT FACILITY**

on

DIRECT ACCESS TO GEF RESOURCES

May 19, 2004

MEMORANDUM OF UNDERSTANDING

MEMORANDUM OF UNDERSTANDING, dated May 19, 2004, between the SECRETARIAT OF THE GLOBAL ENVIRONMENT FACILITY (respectively, "the Secretariat" and "GEF") and the INTER-AMERICAN DEVELOPMENT BANK ("IADB").

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 IADB, in the preparation of GEF projects and for IADB's 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");

WHEREAS, following the Expanded Opportunities Decision, the Secretariat and IADB entered into a Letter Agreement and Memorandum of Understanding dated November 13, 2000, concerning the manner in which IADB would request PDF-B resources from the Secretariat and the respective duties and responsibilities of the Secretariat and IADB with respect to the allocation to IADB of such resources;

WHEREAS, effective October 15, 2002, and pursuant to the power granted to it under paragraph 20(f) of the Instrument, the Council, at its October 2002 meeting, approved a proposal to expand IADB's direct access to GEF resources to include direct access to allocations of GEF resources from the Council and the CEO for the implementation of GEF projects (the "Direct Access Decision"); and

WHEREAS, the Secretariat and IADB now desire to replace the Letter of Agreement and Memorandum of Understanding of November 13, 2000, with a new Memorandum of Understanding to govern the manner in which IADB will seek allocations of GEF resources for project preparation and implementation from the Secretariat and the Council, as appropriate, and the respective duties and responsibilities of the Secretariat and IADB with respect to the allocation to IADB of such resources (the "MOU").

NOW, THEREFORE, the Secretariat and IADB 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 therein set forth and the following additional terms shall have the following meanings:

- (a) "Allocation" means the GEF resources approved by the Council or the CEO, as appropriate, as allocable to IADB on the basis of a Project Document;
- (b) "Executing Agencies" means the executing agencies who implement GEF Projects under the Expanded Opportunities Decision and/or the Direct Access Decision.
- (c) "Financial Procedures Agreement" means the Financial Procedures Agreement between IADB and the International Bank for Reconstruction and Development as Trustee of the Global Environment Facility Trust Fund, dated as of the date hereof;
- (d) "GEF Project" means a project, project component(s) or project preparation activities, the proposal of which was submitted by IADB, for which GEF funding has been approved;
- (e) "GEF Trust Fund" means the Global Environment Facility Trust Fund established in accordance with the Instrument;
- (f) "IADB/GEF Fund" means the fund established and maintained by IADB in accordance with the terms of the Financial Procedures Agreement, for purposes of receiving and administering GEF resources;
- (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 IADB to the Secretariat seeking approval of an allocation of grant and other funding from GEF resources to IADB from the Council, or the CEO, as appropriate, for projects, project component(s) or project preparation activities that promote achievement of the purposes of the GEF. Such GEF resources may include, without limitation: (i) any Project Preparation Development Facility resources (PDF-A, PDF-B and PDF-C); (ii) resources for the implementation of Medium-Sized Projects; and (iii) resources for the implementation of Full-Sized Projects, as such terms are defined or construed under the applicable GEF policies; 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.

ARTICLE II

General Principles

Section 2.01. All provisions of this MOU shall be interpreted and carried out (i) in accordance with the Instrument, policies and decisions of the Council, and the Agreement Establishing the Inter-American Development Bank, and (ii) in a manner consistent with the rules, guidelines and procedures of the Secretariat and applicable IADB's policies and procedures.

Section 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 IADB, the Secretariat and IADB shall promptly take all appropriate actions to resolve any such inconsistency.

ARTICLE III

Administration of GEF Resources

Section 3.01. From time to time IADB shall submit proposals to the Secretariat seeking the allocation of GEF resources to IADB 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 IADB, 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 IADB 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 IADB to the CEO for endorsement before final project approval by IADB. The final Allocation amount to be provided to IADB 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 IADB pursuant to this MOU may be freely converted by IADB into any other currency as may facilitate their administration and disbursement.

Section 3.04. The commitment and transfer of funds to IADB 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 IADB in respect of each Allocation shall be disbursed by IADB in accordance with IADB'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, IADB 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 IADB's standard procedures so long as such reallocation does not effect Major Changes to the GEF Project for which the Allocation is provided. IADB 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, IADB 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

IADB 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 "GEF Fees Policies"), IADB shall receive a fee for project cycle management services in respect of each GEF Project approved by the Council or CEO, as appropriate, in accordance with this MOU. Such fee shall become payable in full upon approval of the project proposal for the GEF Project in respect of which such fee is provided, or at such other time as may be provided for under the GEF Fees Policies.

ARTICLE V

Standard of Care

Section 5.01. IADB shall be solely responsible for the administration of GEF funds made available to it and will carry out such administration in accordance with IADB's policies 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 and the relevant Project Document approved by the Council or the CEO, as appropriate.

Section 5.02. IADB 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 Document. IADB shall be accountable to the Council for: (i) all activities funded by the Allocations, including their preparation and cost-effectiveness, and (ii) the implementation of the operational policies, strategies and decisions of the Council with respect to such activities.

ARTICLE VI

Procurement

Section 6.01. The procurement of goods, works and related services (including transportation of goods, insurance, installation, assembly and initial maintenance of equipment) and consultants' services financed by the Allocations shall be done in accordance with IADB's policies and procedures. The recording and reporting to the Secretariat on such procurement shall be done in accordance with IADB's reporting systems and practices.

ARTICLE VII

Records and Reporting

Section 7.01. IADB shall provide the Secretariat with the following reports and financial statement on the IADB/GEF Fund as soon as they are available. Such reports and financial statements will be prepared in accordance with IADB's accounting and reporting procedures:

- (a) annual reports on status of GEF project in IADB's portfolio for the IADB/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 IADB/GEF Fund; 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 reports to be furnished to the Trustee pursuant to Section 12.2 (f) of the Financial Procedures Agreement.

Section 7.02. IADB 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. IADB shall be solely responsible for:

- (a) Ensuring that the documentation (including but not limited to the Project Documents)

submitted by IADB to the Secretariat for review and/or approval meets the 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 IADB'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 Article VII hereof; and
- (g) Informing the Secretariat in writing of any conditions it believes may interfere with the 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 IADB, the Secretariat shall inform of, and provide guidance to IADB on, GEF's operational policies and procedures and forms so as to assist IADB in the discharge of its responsibilities under Section 8.01.

ARTICLE IX

Consultation

Section 9.01. IADB 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 IADB:

Inter-American Development Bank
1300 New York Avenue, NW (Stop W-0500)
Washington, D.C. 20577
U.S.A.

Attention: Ms. Janine Ferretti
Chief, Environmental Division of the Sustainable Development
Department (SDS/ENV)

Telephone: (202) 623-1795
Fax: (202) 623-1786
Electronic mail: janinef@iadb.org

With a copy to:

Attention: Mr. Arnaldo M. da Fonseca
Chief, Technical Cooperation Coordination Unit
(Stop E-0913)

Telephone: (202) 623-2528
Fax: (202) 623-3171
Electronic mail: arnoldod@iadb.org

(b) For the Secretariat:

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

Attention: Deputy Chief Executive Officer

Telephone: (202) 473 1075
Fax: (202) 522 3240/3245
Electronic mail: kking@thegef.org

ARTICLE XI

Amendment

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

ARTICLE XII

Termination

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

Section 12.02. Upon the giving of such notice, unless otherwise agreed between them, IADB and the Secretariat shall consult on the most practical and effective means of terminating any uncompleted activities to be implemented under approved Project Documents. Notwithstanding Section 12.01, if there are outstanding activities under this MOU at the time of termination of this MOU, the provisions of this MOU shall continue to apply to any such outstanding activities until such activities have been fully completed.

Section 12.03. In the event the MOU is terminated, IADB 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 IADB have been satisfied. Following the satisfaction of such commitments and liabilities, IADB shall return any unused GEF funds to the Trustee in accordance with the terms of the Financial Procedures Agreement.

Section 12.04. 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 IADB 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, and shall supersede and replace the Letter Agreement and the Memorandum

of Understanding incorporated thereto between IADB and the Secretariat, dated November 13, 2000.

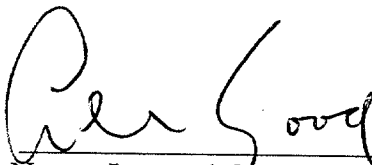
ARTICLE XIV

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.

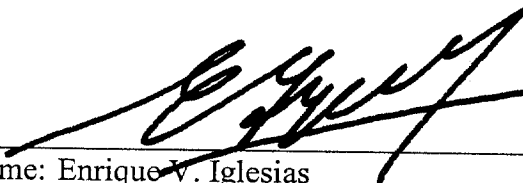
SECRETARIAT OF THE GLOBAL
ENVIRONMENT FACILITY



Name: Leonard Good

Title: CEO/Chairman

INTER-AMERICAN DEVELOPMENT BANK



Name: Enrique V. Iglesias

Title: President

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

Table 1		Standard Information						Information Provided by Agency					
For ORGP		Agency Name	Agency 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											
GEF ID	Agency PMIS ID	Agency Name	Agency 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.