

# **Memorandum of Understanding**

between

**ASIAN DEVELOPMENT BANK**

and

**THE GEF SECRETARIAT**

on

**Project Preparation and Development Facility Grants**

**December 2, 2000**

## MEMORANDUM OF UNDERSTANDING

MEMORANDUM OF UNDERSTANDING, dated December 2, 2000, between the SECRETARIAT of the GLOBAL ENVIRONMENT FACILITY (respectively, "the Secretariat" and "GEF") and the ASIAN DEVELOPMENT BANK ("ADB").

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 Global Environment Facility (the "Council") has the authority to approve and periodically review operational modalities for the Global Environment Facility, 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 four regional development banks in the preparation of GEF projects and for their direct access to certain Project Preparation and Development Facility ("PDF") resources, namely PDF-B resources (as explained in Section 1.01 (l) below) (the "Expanded Opportunities Decision");

WHEREAS, pursuant to the Expanded Opportunities Decision, ADB desires to participate in the preparation of GEF-eligible projects and to secure PDF-B resources for such preparation activities and, towards that end, has submitted, and intends to submit in the future, several PDF-B Grant Applications to the Secretariat;

WHEREAS, upon review of such PDF-B Grant Applications as have been submitted, the Secretariat has approved a number of PDF-B Grants to ADB and expects to approve additional PDF-B Grants to ADB in the future; and

WHEREAS, as confirmed in a letter dated December 2, 2000, between the Secretariat and ADB, all PDF-B Grants made by the Secretariat to ADB after May 7, 1999, shall be governed by a single Memorandum of Understanding setting forth the duties and responsibilities of the Secretariat and ADB in respect of such PDF-B Grant(s) and containing a separate Schedule detailing the terms and conditions of each PDF-B Grant made to ADB.

NOW, THEREFORE, the Secretariat and ADB agree as follows:

## ARTICLE 1

### Definitions

Section 1.01. For the purposes of this Memorandum of Understanding:

- (a) "ADB" means the Asian Development Bank;
- (b) "ADB/GEF Fund" means the fund to be established by the ADB in accordance with the terms of the Financial Procedures Agreement, for purposes of receiving and administering PDF-B Grants;
- (c) "CEO" means the Chief Executive Officer/Chairperson of the GEF appointed by the Council in accordance with paragraph 21 of the Instrument;
- (d) "Council" means the Council of the GEF established in accordance with paragraphs 11 and 15 to 20 of the Instrument;
- (e) "Financial Procedures Agreement" means the Financial Procedures Agreement between ADB and the International Bank for Reconstruction and Development as Trustee of the Global Environment Facility Trust Fund, dated as of December 2, 2000;
- (f) "GEF" means the Global Environment Facility restructured and established in accordance with the Instrument;
- (g) "GEF Trust Fund" means the Global Environment Facility Trust Fund established in accordance with the Instrument;
- (h) "Implementing Agencies" means the United Nations Development Programme, the United Nations Environment Programme and the International Bank for Reconstruction and Development acting as an Implementing Agency of the GEF in accordance with paragraph 22 of the Instrument;
- (i) "Instrument" has the meaning assigned hereto in the preamble hereof;
- (j) "MOU" means this Memorandum of Understanding between the Secretariat and the ADB;
- (k) "ADB/Secretariat Letter of Agreement" means the letter dated December 2, 2000, signed by the President of ADB on behalf of ADB and the CEO/Chairman of the GEF on behalf of the GEF Secretariat;

- (l) "PDF-B Grant" or "Grant" means the funds approved by the CEO on the basis of a Grant Application for the financing of a PDF-B (i.e., a level B grant from the Project Preparation and Development Facility on the terms provided for by the Council in May 1995 on the basis of its review of documents GEF/C.3/6, *The Project Development and Preparation Facility*, and GEF/C.4/7, *GEF Project Cycle*, under which GEF funds are allocated to project preparation and development activities, as such terms may be amended from time to time);
- (m) "PDF-B Grant Application" or "Grant Application" means an application submitted to the Secretariat for PDF-B resources;
- (n) "Project Development and Preparation Facility" means the Project Development and Preparation Facility described in (l) above;
- (o) "Schedule" means any schedule hereto containing the information set forth in Section 3.02 below regarding each PDF-B Grant;
- (p) "Secretariat" means the Secretariat of the GEF established in accordance with paragraph 21 of the Instrument; and
- (q) "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 articles, sections and schedules of this MOU shall be interpreted and carried out in accordance with the Instrument and policies and decisions of the Council and the Agreement Establishing the Asian Development Bank, and in a manner consistent with the guidelines, directives and procedures of the Secretariat and of ADB.

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 ADB, the Secretariat and ADB shall promptly take all appropriate actions to resolve any inconsistency.

## ARTICLE III

### Administration of PDF-B Grants

Section 3.01. ADB shall be solely responsible for the administration of PDF-B Grants made to it and will carry out such administration in accordance with its 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 and the Schedules hereto.

Section 3.02. Each PDF-B Grant shall be based on a Grant Application submitted by the ADB officer identified in Article IX, Section 9.01(a) and approved by the CEO. Each Application, as approved, will constitute a Schedule to this MOU. Each such Schedule shall contain a description of the activities to be funded by the Grant and a Grant-specific budget. Each Grant shall be denominated in US Dollars, provided, however, that such Grant funds may be freely converted by ADB into any other currency.

Section 3.03. Notwithstanding the specific budget for a PDF-B Grant set out in the pertinent Schedule to this MOU, ADB may reallocate funds within the GEF-supported components of a PDF-B Grant in accordance with its standard procedures; provided, however, that no such reallocation shall exceed twenty percent (20%) of the Grant amount. ADB shall inform the Secretariat of any proposed modifications to the budget of a PDF-B Grant that exceed, or are expected to exceed, 20% of the Grant amount, including material amendments, suspension, termination and cancellation of disbursements. Any such modification shall go into effect upon clearance by the Secretariat, which will make a good faith effort to respond within ten (10) working days of the date of ADB's communication.

Section 3.04. The commitment and transfer of each PDF-B Grant to ADB shall be effected in accordance with the terms of the Financial Procedures Agreement.

Section 3.05. Each PDF-B Grant shall be disbursed by ADB in accordance with its own standard rules and procedures.

Section 3.06. ADB shall take all appropriate measures to ensure that each Grant is used for the purposes for which it was approved, as set out in the pertinent Schedule hereto.

Section 3.07. In the event of any major change or development relating to any PDF-B Grant activities, including any major change in their design, scope or purpose, ADB shall seek approval from the CEO for the continuance of such activities. Such activities shall continue upon clearance by the Secretariat, which will make a good faith effort to respond within ten (10) working days of the date of ADB's communication.

Section 3.08. ADB shall receive a fee for the implementation of each PDF-B Grant that results in a project financed by the GEF. The amount of the fee payable to ADB shall be agreed upon between ADB and the Secretariat upon preparation of a final project proposal for approval by the Council, shall be clearly indicated in the project proposal presented to the Council, and shall be determined in accordance with the policies and procedures established for the determination of fees payable to the Implementing Agencies as approved by the Council (*GEF Council Joint Summary of the Chairs, May 10, 1999, paragraph 20*), as amended from time to time and implemented by the Secretariat. Such fee shall be payable to ADB upon the Council's approval of the project proposal.

## ARTICLE IV

### Procurement

Section 4.01. The procurement of goods and services (including consultants' services) for PDF-B Grant activities and the recording and reporting to the Secretariat on such procurement shall be done in accordance with ADB's policies, guidelines and procedures; provided, however, that ADB shall record and report on such procurement in accordance with procurement reporting guidelines to be provided to ADB by the Secretariat for all PDF-B Grants approved after the date on which such guidelines have been provided to ADB.

## ARTICLE V

### Records and Reporting

Section 5.01. ADB shall provide the Secretariat with the following reports on the PDF-B Grants prepared in accordance with ADB's accounting and reporting procedures:

- (a) quarterly unaudited financial statements for the PDF-B Grants;
- (b) quarterly and annual reports (substantially in the form of Attachment 1 hereto) indicating, for each PDF-B Grant transferred, the expenses incurred and disbursements made during the relevant period;
- (c) semi-annual progress reports;
- (d) as soon as practicable after the end of ADB's fiscal year, an annual audited financial statement for the PDF-B Grants, attaching audited financial statements, if any, with respect to the use of PDF-B resources which ADB has received from entities to which ADB has transferred some or all of the proceeds of any PDF-B Grant;
- (e) within six months after the date of completion or termination of the activities for which each PDF-B Grant has been granted, a final report on such PDF-B Grant;
- (f) as soon as practicable after the termination of this MOU, a final audited financial statement for the ADB/GEF Fund; and
- (g) such other reports as may reasonably be requested by the Secretariat from time to time.

Such reports and accounts will be identical in form and content to the reports and accounts to be furnished to the Trustee pursuant to the Financial Procedures Agreement, and ADB shall provide copies to the Secretariat as soon as they are available.

ADB's external auditors shall audit the financial statements of the PDF-B Grants prepared by ADB described in paragraph (d) and (f) of this Article. The costs of such audits shall be in accordance with Article II, section 2.3 of the Financial Procedures Agreement.

For purposes of the financial statements required under paragraphs (a), (d) and (f) hereof, investment income earned by the PDF-B Grants may be reported as cumulative investment income and need not be allocated across individual PDF-B Grants.

## ARTICLE VI

### Preparation and Execution of PDF-B Grants

Section 6.01. The Secretariat shall provide guidance to ADB so that ADB can ensure that:

- (a) The documentation provided by ADB to the Secretariat in connection with each PDF-B Grant meets GEF requirements; and
- (b) The preparation and execution of ADB's PDF-B Grant activities are consistent with the GEF's operational procedures, particularly those concerning eligibility criteria, the estimation of incremental costs, the definition of global benefits, the establishment and operation of the Project Preparation and Development Facility, and the policy for stakeholder participation and disclosure of information.

Section 6.02. ADB shall be solely responsible for:

- (a) Preparing each PDF-B Grant Application for consideration by the Secretariat;
- (b) The administration, management and use of PDF-B Grant funds provided to it;
- (c) Supervising its PDF-B Grant activities; and
- (d) Reporting to the Secretariat in accordance with Article V hereof.

Section 6.03. ADB shall inform the Secretariat of any conditions it believes may interfere with its performance of its obligations under this MOU or the implementation of PDF-B Grant activities under any Schedule hereto.

## **ARTICLE VII**

### **Consultation**

Section 7.01. ADB 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 VIII**

### **Procedures for Termination**

Section 8.01. Upon the issuance of a notice to terminate this MOU, or any Schedule thereto, as provided for in the ADB/Secretariat Letter of Agreement, ADB and the Secretariat shall consult on the most practical and effective means of terminating any uncompleted PDF-B Grant activities provided for in the Schedule(s) hereto. In the event the MOU or any Schedule hereto is terminated, ADB shall continue to hold PDF-B Grant funds provided under this MOU or such Schedule(s) until all outstanding commitments and liabilities incurred for the pertinent PDF-B Grant activities have been satisfied. Following the satisfaction of such commitments and liabilities, ADB shall return any unused funds to the Trustee in accordance with the terms of the Financial Procedures Agreement.



## ARTICLE IX

### Communications

Section 9.01. 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 ADB:

Asian Development Bank  
6 ADB Avenue, Mandaluyong City  
0401 Metro Manila, Philippines

Attention: Manager, Environment Division, Office of Environment and Social  
Development

Telephone: (632) 632 6883  
Fax (632) 636 2195  
Electronic mail: [jevans@adb.org](mailto:jevans@adb.org)

(b) For the Secretariat:

Global Environment Facility  
1818 H Street, N.W.  
Washington, D.C. 20433  
USA

Attention: Assistant Chief Executive Officer

Telephone: (202) 473 1075  
Fax: (202) 522 3240/3245  
Electronic mail: [kking@worldbank.org](mailto:kking@worldbank.org)