



21 June 2012

Dear Mr. Nandy,

Subject: Full-Size, Sri Lanka: Promoting Sustainable Biomass Energy Production and Modern Bio-Energy Technologies - PIMS No. 4226 - ATLAS BU: LKA10 - Proposal No.: 00062498 - Project No.: 00080012

I am pleased to delegate to you the authority to sign the above-mentioned full-size project. The project, which amounts to a total of US\$ 1,046,250 , has received its final approval in accordance with the established Global Environment Facility (GEF) procedures (CEO approval/endorsement attached as relevant).

I am also pleased to provide a summary of the next steps in the process and to outline, for your easy reference, the mandatory GEF-specific project financial and results management requirements. Please note that Annex 2 clarifies these in further detail. In addition, a number of Advisory Notes have been prepared to support the implementation of UNDP supported GEF funded projects, these and further clarification on the GEF project cycle and requirements can be found in the UNDP GEF Programming Manual at <http://intra.undp.org/gef>.

Next steps and mandatory GEF-specific requirements:

1. ***Project document signature:*** As the Resident Representative with the delegated authority for this project, we kindly request that you sign the above-mentioned full-size project document on behalf of UNDP. We would also appreciate your obtaining the signature of the representative of the Implementing Partner on the cover page (as well as signature by the representative of the Government of Sri Lanka, if necessary).
2. ***Issuance of Authorized Spending Limit (ASL):*** To facilitate a quick start to the project, once the project document is signed, please kindly ensure that the Atlas-generated *Annual Work Plan (AWP)* based on the *Total Budget and Annual Work Plan* in the attached project document, along with a copy of the signed cover page, is sent to Mr. Butchaiah Gadde, Regional Technical Specialist in Bangkok.

Any proposed budget revisions should be forwarded to the UNDP RTA together with a clear explanation of the changes proposed as any significant changes require review and approval. In addition, please note that UNDP/GEF is not in a position to increase the project budget above the amount already approved by the GEF Council. Therefore, any over-expenditure on this project would have to be absorbed by other Country Office resources.

3. ***Fee:*** As an Implementing Agency of the GEF, UNDP earns a fee upon approval of each project. As required by the GEF, the fee is to be used to cover specific costs incurred by UNDP. For the Country Office, these services are related to supporting project development and providing oversight once the project is running, as detailed in Annex 2.

Mr. Subinay Nandy
Resident Representative
UNDP Sri Lanka

The total fee over the lifetime of the above mentioned project for these country offices support services will be USD 33,608. This fee will be paid directly by UNDP/GEF to the XB account of the Country Office. The first installment will be paid upon receipt of the signed main project document cover page by the UNDP RTA. The second and all subsequent annual fee installments will be paid based on cumulative delivery and audit compliance. The amount to be received by your office includes the cost of services generated by the Initiation Plan under the *GEF Project Preparation Grant (PPG)* window.

Please note that the Implementing Agency fee is intended to cover the General Management Service (GMS) indirect costs of project support, supervision and oversight detailed in Annex 2. Where a government, as Implementing Partner, requests UNDP to provide services specific to project inputs, then the government party is responsible for reimbursing UNDP in accordance with UNDP policies on recovery of direct costs. In such a case, an appropriate separation between project oversight and direct project support is required in accordance with the UNDP Internal Control Framework.

All GEF-funded projects must be audited in accordance with UNDP Financial Regulations and Rules and Audit policies.

4. GEF-specific project management requirements:

- The GEF Secretariat must be informed of any changes to the project objectives and outcomes in the results framework of the project document. As such, should you wish to make any such changes to the results framework, please discuss this with the UNDP RTA, as these changes must be reported to the GEF.
- As outlined in the revised 2010 GEF M&E policy, full-size projects are required to undertake a mid-term review and a terminal evaluation with a corresponding management response. Medium-sized projects are required to undertake a terminal evaluation with a corresponding management response. A mid-term review is also recommended. The specific requirements of these are available from the RTA.
- As specified in the project document, a detailed project management plan should be prepared by the Project Manager. It is strongly recommended that this management plan be reviewed at the inception workshop. Where possible, this workshop should be held within 3 months of project signature. To avoid any confusion during project implementation, we also recommend that the support activities to be undertaken by the Country Office, as listed in Annex 2, be confirmed at the inception workshop.
- Annex 2 includes a number of key UNDP/GEF management performance indicators that aim to improve the efficiency and effectiveness in the oversight and supervision services provided. Performance against these indicators will be monitored on an annual basis.
- In order to accord proper acknowledgement to the GEF for providing funding, full compliance is needed with the GEF's Communication and Visibility Guidelines (the "GEF Guidelines"). The GEF Guidelines can be accessed at: http://www.thegef.org/gef/sites/thegef.org/files/documents/C.40.08_Branding_the_GEF%20final_0.pdf. Full compliance is also required with UNDP's branding guidelines. These can be accessed at <http://intra.undp.org/coa/branding.shtml>, and specific guidelines on UNDP logo use can be accessed at: <http://intra.undp.org/branding/useOfLogo.html>.

United Nations Development Programme

In concluding, I would like to assure you of UNDP/GEF's and my personal commitment to a successful implementation of the project. The Regional Technical Advisors are at your disposal for advice and technical support. Should you have any concerns or questions, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Adriana Dinu', with a long horizontal line extending to the right.

Adriana Dinu
UNDP/ GEF Officer-in-Charge

cc: Mr. Ajay Chibber, Assistant Administrator and Bureau Director, RBAP
Mr. Butchaiah Gadde, UNDP/GEF Regional Technical Advisor, Bangkok, Thailand
Other as relevant

Annexes

Annex 1	CEO endorsement/approval
Annex 2	Project Support Services



MONIQUE BARBUT
Chief Executive Officer and Chairperson

1818 H Street, NW
Washington, DC 20433 USA
Tel: 202.473.3202
Fax: 202.522.3240/3245
E-mail: mbarbut@TheGEF.org

June 11, 2012

Mr. Yannick Glemarec
GEF Executive Coordinator
United Nations Development Programme
One United Nations Plaza
New York, NY 10017

Ms. Barbara Cooney
GEF Coordinator
Food and Agriculture Organization of the United Nations
Room: D-515, Viale delle Terme di Caracalla
00100 Rome, Italy

Messrs. Glemarec and Cooney:

I am pleased to inform you that I am endorsing the project proposal entitled *Sri Lanka: Promoting Sustainable Biomass Energy Production and Modern Bio-Energy Technologies*, for \$1,996,250 in financing from the GEF Trust Fund (GEETF). I understand that this project proposal will be submitted for approval in accordance with the UNDP and FAO procedures. I note that a project preparation grant (PPG) of \$74,000 was previously approved for preparation of this project and that a report on the use of those funds has been submitted to the Secretariat. Taking into account the PPG, the entire GEF grant for the project is \$2,070,250.

I am also endorsing the fee of \$199,625 representing 9% of the total GEF grant for implementation services.

The breakdowns of resources among the Agencies are as follows:

GEF Agency	Project Grant (\$)	Fee (\$)
UNDP	\$1,046,250	\$104,625
FAO	\$950,000	\$95,000

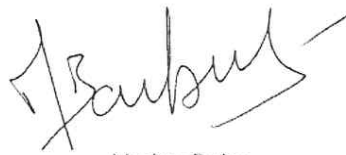
I am endorsing this project on the understanding that the project will meet the following milestones:

- (i) The grant agreement will be signed no later than July 2012;
- (ii) A report on the status of the project at mid-term will be submitted to the Secretariat no later than September 2014; and
- (iii) The closing date of the project grant will be no later than July 2017 and a terminal evaluation/project completion report will be submitted to the Secretariat within 6 months of such closing date.

You are requested to ensure that the GEF Secretariat is informed when each of these milestones is met. If any milestone is not achieved, and after consultations with your Agency, I may agree to revised milestones or recommend cancellation, termination, or suspension of the project, and I will communicate to the beneficiary country and your Agency the basis for such a recommendation.

Please ensure that your grant agreements continue to fully reflect this understanding.

Sincerely,



Monique Barbut
Chief Executive Office and Chairperson

Attachment: GEFSEC Review Sheet

cc: Country Operational Focal Point
GEF Agencies, STAP, Trustee

Annex 2: Project Support Services

Stage	Country Office ¹	UNDP/GEF
Identification, Sourcing/Screening of Ideas, and Due Diligence	Identify project ideas as part of country programme/CPAP and UNDAF/CCA.	<ul style="list-style-type: none"> • Technical input to CCA/UNDAFs and CPAPs where appropriate. • Input on policy alignment between projects and programmes. • Provide information on substantive issues and specialized funding opportunities (SOFs). • Policy advisory services including identifying, accessing, combining and sequencing financing. • Verify potential eligibility of identified idea.
	Assist proponent to formulate project idea / prepare project idea paper (e.g. GEF PIF/PPG).	<i>Technical support:</i> <ul style="list-style-type: none"> • Research and development. • Provide up-front guidance. • Sourcing of technical expertise. • Verification of technical reports and project conceptualization. • Guidance on SOF expectations and requirements. • Training and capacity building for Country Offices.
	<i>Appraisal:</i> <ul style="list-style-type: none"> • Review and appraise project idea. • Undertake capacity assessments of implementing partner as per UNDP POPP. • Environmental screening of project as and when included in UNDP POPP. • Monitor project cycle milestones. 	<ul style="list-style-type: none"> • Provide detailed screening against technical, financial, social and risk criteria. • Determine likely eligibility against identified SOF.
	<i>Partners:</i> <ul style="list-style-type: none"> • Assist proponent to identify and negotiate with relevant partners, cofinanciers, etc 	<ul style="list-style-type: none"> • Assist in identifying technical partners. • Validate partner technical abilities.
	<i>Obtain clearances:</i> <ul style="list-style-type: none"> • Government, UNDP, Implementing Partner, LPAC, cofinanciers, etc. 	<ul style="list-style-type: none"> • Obtain SOF clearances.
Project Development	<i>Initiation Plan:</i> <ul style="list-style-type: none"> • Management and financial oversight of Initiation Plan • Discuss management arrangements 	<ul style="list-style-type: none"> • Technical support, backstopping and troubleshooting. • Support discussions on management arrangements • Facilitate issuance of DOA

¹ As per UNDP POPP with additional SOF requirements where relevant.

Stage	Country Office ¹	UNDP/GEF
	<i>Project Document:</i> <ul style="list-style-type: none"> Support project development, assist proponent to identify and negotiate with relevant partners, cofinanciers, etc. Review, appraise, finalize Project Document. Negotiate and obtain clearances and signatures – Government, UNDP, Implementing Partner, LPAC, cofinanciers, etc. Respond to information requests, arrange revisions etc. Prepare operational and financial reports on development stage as needed. 	<i>Technical support:</i> <ul style="list-style-type: none"> Sourcing of technical expertise. Verification of technical reports and project conceptualization. Guidance on SOF expectations and requirements. Negotiate and obtain clearances by SOF Respond to information requests, arrange revisions etc. Quality assurance and due diligence. Facilitate issuance of DOA
<i>Key UNDP/GEF management performance indicators/targets for Project Development:</i> <ol style="list-style-type: none"> Time between PIF approval to CEO endorsement for each project: <ul style="list-style-type: none"> Target for GEF trust fund project: FSP = 18 months or less, MSP 12 months or less. Target for LDCF and SCCF: FSP/MSP = 12 months or less. Time between CEO endorsement (or PAC for non GEF funded projects) to first disbursement for each project: <ul style="list-style-type: none"> Target = 4 months or less 		
Project Oversight	<i>Management Oversight and support</i>	<i>Technical and SOF Oversight and support</i>
	<i>Project Launch/Inception Workshop</i> <ul style="list-style-type: none"> Preparation and coordination. 	<ul style="list-style-type: none"> Technical support in preparing TOR and verifying expertise for technical positions. Verification of technical validity / match with SOF expectations of inception report. Participate in Inception Workshop
	<i>Management arrangements:</i> <ul style="list-style-type: none"> Facilitate consolidation of the Project Management Unit, where relevant. Facilitate and support Project Board meetings as outlined in project document and agreed with UNDP RTA. Provide project assurance role if specified in project document. 	<ul style="list-style-type: none"> Technical input and support to TOR development. Troubleshooting support. Support in sourcing of potentially suitable candidates and subsequent review of CVs/recruitment process.
	<i>Annual WorkPlan:</i> <ul style="list-style-type: none"> Issuance of AWP. Monitor implementation of the annual work plan and timetable. 	<ul style="list-style-type: none"> Advisory services as required Review AWP, and clear for ASL where relevant.
	<i>Financial management:</i> <ul style="list-style-type: none"> Conduct budget revisions, verify expenditures, advance funds, issue combined delivery reports, ensure no over-expenditure of budget. Ensure necessary audits. 	<ul style="list-style-type: none"> Allocation of ASLs, based on cleared AWP Return of unspent funds to donor Monitor projects to ensure activities funded by donor comply with agreements/ProDocs Oversight and monitoring to ensure financial transparency and clear reporting to the donor

Stage	Country Office ¹	UNDP/GEF
	<p><i>Results Management:</i></p> <ul style="list-style-type: none"> Alignment: link project output to CPAP Outcome in project tree in Atlas, link CPAP outcome in project tree to UNDP Strategic Plan Environment and Sustainable Development Key Result Area as outlined in project document during UNDP work planning in ERBM. Gender: In ATLAS, rate each output on a scale of 0-3 for gender relevance. Monitoring and reporting: Monitor project results, track result framework indicators, and co-financing where relevant. Monitor risks in Atlas and prepare annual APR/PIR report where required by donor and/or UNDP/GEF. Annual site visits – at least one site visit per year, report to be circulated no later than 2 weeks after visit completion. 	<ul style="list-style-type: none"> Advisory services as required. Quality assurance. Project visits – at least one technical support visit per year.
	<p><i>Evaluation:</i></p> <ul style="list-style-type: none"> Integrate project evaluations into CO evaluation plan. Identify synergies with country outcome evaluations. Arrange mid-term, final, and other evaluations: prepare TOR, hire personnel, plan and facilitate mission / meetings / debriefing, circulate draft and final reports. Participate as necessary in other evaluations. Ensure tracking of committed and actual co financing as part of mid-term and final evaluations. Prepare management response to project evaluations and post in UNDP ERC. 	<ul style="list-style-type: none"> Technical support and analysis. Quality assurance. Compilation of lessons and consolidation of learning. Dissemination of technical findings. Participate as necessary in other SOF evaluations.
	<p><i>Project Closure:</i></p> <ul style="list-style-type: none"> Final budget revision and financial closure (within 12 months after operational completion). Final reports as required by donor and/or UNDP/GEF. 	<ul style="list-style-type: none"> Advisory services as required. Technical input. Quality assurance.
<p><i>Key UNDP GEF management performance indicators/targets for Project Oversight:</i></p> <ol style="list-style-type: none"> Each project aligned with country outcomes and UNDP Strategic Plan Environment and Sustainable Development key results, and included in Country Office Integrated Work Plan in the ERBM: <ul style="list-style-type: none"> Target = 100% Quality rating of annual APR/PIRs: Once completed and submitted, the quality of each project APR/PIR is rated by an external reviewer <ul style="list-style-type: none"> Target = Rating of Satisfactory or above Quality rating of Terminal Evaluations: Once completed, the quality of each terminal evaluation is rated by an external reviewer <ul style="list-style-type: none"> Target = Rating of Satisfactory or above Quality of results achieved by project as noted in terminal evaluation: the independent evaluator assigns an overall rating to the project. <ul style="list-style-type: none"> Target = Satisfactory or above 		

Annex 3
PIMS 4226
CO Fee allocation and Payment schedule
Atlas project - 00080012 LKA10

		GEF fee (GMS) %	
		For allocation- based on total approved funding including PDF	For releasing- based on final approved project budget excluding PDF
PPG		74,000	
MSP		1,046,250	
Total PPG & MSP Grant		1,120,250	
Total fee allocated to COs (Note 1)		33,608	
1st Release: Fee for formulation 40% (Note 2)		13,443	1.200%
Following Releases: Fee for implementation 60% (Note 3)		20,165	1.927%
Total fee		33,608	3.212%

	Fee for Formulation (40%)	Fee for Implementation (60%)	Total Fee	Share % (fee for implementation)	% fee based on delivery (Impl. Fee / Final PRJ FSP/MSP) budget)
Sri Lanka	13,443	20,165	33,608	100%	1.927%
Total	13,443	20,165	33,608	100%	1.927%

Example 1 for CO projection purpose - fee release to COs based on delivery

	Scenarios							
	% fee based on delivery (Impl. Fee / Final PRJ FSP/MSP) budget)	2012 Delivery	fee for 2012 delivery	2013 delivery	fee for 2013 delivery	2014 Delivery	2015 Delivery	2016 Delivery
Sri Lanka	1.927%		2,382		4,242		4,366	4,538
Total	1.927%	123,600	2,382	220,122	4,242	226,540	240,550	235,438
								1,046,250
								20,165
								20,165

Note:

1. Total GEF Fee to COs includes the cost of services related to the preparatory assistance phase under the GEF Project Development Facility (PDF)/Project Preparation Grant (PPG) window.
2. The 1st release of GEF fee to COs will be effected upon receipt of the signed main project (FSP/MSP/EA) document cover page in the GEF RCU.
3. Subsequent annual fee releases to COs will depend on the satisfactory delivery of the services described in Annex 2 and will be directly linked to project delivery.
4. Annual fee payments to COs related to delivery are normally done after year end closing. For example, annual fee for 2012 delivery is paid in April 2013.