



22 December 2008

Dear Mr. Kurbanov,

**Subject: Medium-Size Project - Palau: Sustainable Economic Development Through Renewable Energy Applications (SEDREA); PIMS No. 3093; ATLAS BU: FJI10 Proposal No.00050565; Project No.: 00062534**

I am pleased to delegate to you the authority to sign the above-mentioned MSP project document on behalf of UNDP. You are also kindly requested to obtain the representative's signature for the government of Palau on the cover page, then commence the implementation of the project. The project, which amounts to a total of US\$975,000 (the amount excludes the preparation grant of US\$25,000), has received its final approval in accordance with the established GEF procedures (CEO approval/endorsement attached as relevant).

Once the project document is signed, you may request issuance of an Authorized Spending Limit (ASL) by submitting an 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, to Mr. Manuel Soriano, Regional Technical Advisor in Bangkok. Please note that this project has already been assigned an ATLAS BU: FJI10 - Proposal No.: 00050565 - Project No.: 00062534. Comments on the AWP will be provided within 5 working days by the UNDP-EEG Regional Technical Advisor as relevant.

Any budget revisions should be forwarded to the UNDP-EEG Regional Service Center (RSC)/Regional Coordination Unit (RCU) with an explanation of the changes proposed. In this connection, please note that UNDP-EEG 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.

As an Implementing Agency of the GEF, UNDP earns a fee upon approval of each main project (Full-Size, Medium-Size or Enabling Activities). The fee is used to cover the costs incurred by UNDP, both at Headquarters and in the Country Office. The Country Office portion is for services related to supporting project development and providing implementation oversight as detailed in Annex 2. The total fee that your office will receive over the lifetime of the project will be US\$35,000 payable in annual installments; this fee will be paid directly by UNDP-EEG to the XB account of the Country Office. The first installment will be effected upon receipt of the signed main project document cover page in the UNDP-EEG RSC/RCU. The second and all subsequent annual fee installments will depend on the satisfactory delivery of the services described in Annex 2 and thus will be directly linked to project expenditure and delivery. Note that the amount to be received by your office includes the cost of services generated by the Initiation Plan under the GEF Project Development Facility (PDF)/Project Preparation Grant (PPG) window.

Mr. Tolly Kurbanov  
Resident Representative  
UNDP Suva  
Fiji



Please note that the Implementing Agency Fee (GMS) is intended to cover the costs of project support, supervision and oversight, not project execution. Where a government, as executing agency, requests UNDP to provide specific services as a part of project execution, then the government party is responsible for reimbursing UNDP in accordance with UNDP policies on cost recovery. In such a case your office must maintain appropriate separation between implementation support and oversight, and execution services, in accordance with the UNDP Internal Control Framework.

As specified in the project document, a detailed project management plan will need to be prepared by the Project Manager in order to support timely implementation of the activities. This management plan will specify the actions, timelines and responsibilities for review at the inception workshop. It will be completed and updated throughout the life of the project as relevant in accordance with the various annual reviews such as steering committees, tri-partite reviews, etc. The plan will include all the support activities to be undertaken by the Country Office as listed in Annex 2. It should also highlight the delivery milestones and identify responsible Country Office staff at the programmatic and operational level.

We take the opportunity to draw your attention to the following mandatory requirements for all GEF-funded projects:

- ❖ Any changes contemplated with respect to the project objectives and outcomes will have to be discussed with and approved by the UNDP-EEG RSC/RCU, as they will have to be reported to GEF.
- ❖ All GEF-funded projects are subject to a mid-term and a final evaluation conducted according to Terms of Reference circulated to the RSC/RCU and approved on a no-objection basis.
- ❖ All GEF-funded projects will be audited in accordance with UNDP Financial Regulations and Rules and Audit policies. UNDP-EEG reserves the right to withhold fee payments and to suspend the project if this requirement is not met in a timely fashion.

Should you need clarification on the GEF Project Cycle and requirements, please consult the UNDP-GEF Programming Manual at <http://infra.undp.org/gef>.

In concluding, I would like to assure you of the UNDP-EEG Team's and my personal commitment to successful implementation of the project. The EEG Regional Service Center/Regional Coordination Unit in Bangkok is 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 'Yannick Glemarec', is written over the typed name.

Yannick Glemarec  
Executive Coordinator

Global Environment Facility, EEG BDP

cc: Mr. Ajay Chhibber, Assistant Administrator and Bureau Director, RBAP  
Mr. Manuel Soriano, Regional Technical Advisor, Bangkok RCU

Annexes

Annex 1

CEO endorsement/approval



Global Environment Facility

**Monique Barbut**  
Chief Executive Officer  
and Chairperson

July 22, 2008

1818 H Street, NW  
Washington, DC 20433 USA  
Tel: 202-473-3202  
Fax: 202-522-3740/3245  
Email: mbarbut@TheGEF.org

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

Dear Mr. Glemarec:

I am pleased to inform you that I am approving the medium-sized project proposal entitled *Palau: Sustainable Economic Development through Renewable Energy Applications (SEDREA)* for \$975,000 to be funded under the GEF Trust Fund (GETrF). I understand that this project proposal will be submitted for Agency approval in accordance with the UNDP procedures. I note that a project preparation grant (PPG) of \$25,000 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 project preparation funds, total GEF grant for the project is \$1,000,000.

I am also approving the fee of \$100,000 representing 10% of the total GEF grant for implementation services.

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

- (i) The grant agreement will be signed no later than September 2008;
- (ii) The closing date of the project grant will be no later than December 2011 and a terminal evaluation/project completion report will be submitted to the GEF 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.

I am attaching a copy of the project tracking sheet for your records.

Sincerely,

Attachments: GEF Project Tracking Sheet and Review Sheet

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

GEF Project Tracking System  
Medium-Sized Project Clearance/Approval

**Palau: Sustainable Economic Development through Renewable Energy Applications (SEDREA)**

<b>PPF Review</b>				
Program Manager			Recommendation	Dimitrios Zavgolis
Team Leader			Clearance	Richard Hoeser
CEO			Approval	Monique Barbut
<b>PPG Review PDEA</b>	<b>\$25,000</b>	<b>\$30,000</b>		
Program Manager	APPROVED	04-29-2005	Recommendation	Dimitrios Zavgolis
Team Leader			Clearance	Richard Hoeser
CEO			Approval	Monique Barbut
<b>PPG Review</b>	<b>\$1,000,000</b>	<b>\$4,425,000</b>		
Program Manager			Recommendation	<i>[Signature]</i> 7/3/08
Team Leader			Clearance	<i>[Signature]</i> 7/3/08
CEO			Letter to Council	CEO Letter to Council <i>[Signature]</i>
<b>PPG Review</b>	<b>\$975,000</b>	<b>\$4,425,000</b>		
IA Fee	<b>\$100,000</b>			
Program Manager			Recommendation	Dimitrios Zavgolis <i>[Signature]</i> 7/22/08
Team Leader			Clearance	Richard Hoeser <i>[Signature]</i> 7/22/08
CEO			Approval	Monique Barbut <i>[Signature]</i>

SM  
7/22

## Annex 2: UNDP Environment and Energy Group - Project Support Services

Stage	Country Office	EEG
<b>Identification, Sourcing and Screening of Ideas</b>	Identify project ideas as part of country programming	Provide information on substantive issues and specialized funding opportunities (SOFs)
		Verify soundness and potential eligibility of identified idea
<b>Feasibility Assessment / Due Diligence Review</b>	Assist proponent to formulate project idea / prepare project idea paper	Technical support: provide up-front guidance; sourcing of technical expertise; verification of technical reports and project conceptualization; guidance on SOF expectations and requirements
	Review and appraise project idea	Provide detailed screening against technical, financial, social and risk criteria and provide statement of likely eligibility against identified SOF
	Assist proponent to identify and negotiate with relevant partners, cofinanciers, etc	Assist in identifying technical partners; Validate partner technical abilities.
	Obtain clearances – Government, UNDP, Executing Agency, LPAC, cofinanciers, etc.; monitor project milestones	Obtain clearances – SOF
<b>Development &amp; Preparation</b>	Management and financial oversight of Initiation Plan	Technical support, backstopping and troubleshooting
	Support project development, assist proponent to identify and negotiate with relevant partners, cofinanciers, etc	Technical support: sourcing of technical expertise; verification of technical reports and project conceptualization; guidance on SOF expectations and requirements
	Review, appraise, finalize Project Document	Verify technical soundness, quality of preparation, and match with SOF expectations
	Negotiate and obtain clearances – Government, UNDP, Executing Agency, LPAC, cofinanciers, etc	Negotiate and obtain clearances by SOF
	Respond to information requests, arrange revisions etc.	Respond to information requests, arrange revisions etc.
	Prepare operational and financial reports on development stage as needed	Verify technical soundness, quality of preparation, and match with SOF expectations

Stage	Country Office	EEG
<b>Implementation</b>	Management Oversight and support	Technical and SOF Oversight and support
	Project Launch	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
	Policy negotiations	Technical information and support as needed
	Steering Committee meetings	Technical support, participation as necessary
	Issuance of AWP, monitor implementation of the work plan and timetable, budget revisions as necessary	Advisory services as required
	Financial management – Conducting budget-revisions, verifying expenditures, advancing funds, issuing combined delivery reports, ensuring no over-expenditure of budget	Allocation of ASLs
	Technical, managerial and financial backstopping, problem identification & troubleshooting	Technical support and troubleshooting, Support missions as necessary.
	Annual site visits – at least one site visit per year, report to be circulated no later than 2 weeks after visit completion	Project visits – at least one technical support visit per year.
	Reviewing, editing, responding to project reports; monitoring project milestones	Technical support, validation, quality assurance
	Ensuring necessary audits	
	Final budget revision and financial closure (within 12 months after operational completion).	Return of unspent funds
	<b>Evaluation and Reporting</b>	Preparation and completion of Annual Reports, final reports, tracking substantive indicators
Organize project review arrangements, such as steering committee meetings, as outlined in project document and agreed with UNDP EEG RSC/RCU		Technical support, participation as necessary
Arrange mid-term, final, and other evaluations – prepare TOR, hire personnel, plan and facilitate mission / meetings / debriefing, circulate draft and final reports,		Technical support in preparing TOR and verifying expertise for technical positions. Verification of technical validity / match with SOF expectations of inception report. Participate in briefing / debriefing
		Technical analysis, compilation of lessons, validation of results
		Dissemination of technical findings

**Service standards:**

1. initial response to communication within 2 working days
2. full response to communication (with the exception of a response requiring travel) within 10 working days

### Annex 3 CO Fee allocation and Payment schedule

PIMS3093		Atlas project - 00062534		FJH0	
			GEF fee (GMS) %		
PDF					
Final project (MSP,FSP or EA)		25,000			
Total PDF & Final project (MSP,FSP,EA) Grant		975,000			
Total fee allocated to COs (Note 1 & 5)		35,000			
1st Release: Fee for formulation 40% (Note 2)		14,000	1,400%	1,436%	
Following Releases: Fee for implementation 60% (Note 3)		21,000	2,100%	2,154%	
Total fee		35,000	3,500%	3,590%	

CO	Fee for Formulation (40%)	Fee for Implementation (60%)	Total Fee	Share % (fee for implementation)	% fee based on delivery (impl. Fee / Final PRJ (FSP/MSP/EA) budget)
Fiji	14,000	21,000	35,000	100%	2.154%
Total	14,000	21,000	35,000	100%	2.154%

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

CO	Scenarios					Total fee for delivery
	% fee based on delivery (impl. Fee / Final PRJ (FSP/MSP) budget)	2008 Delivery	2009 delivery	2010 Delivery	Total Delivery	
Fiji	2.154%	6,300	10,500	4,200		21,000
Total	2.154%	292,500	487,500	196,000	975,000	21,000

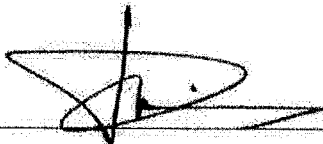
Note:

- 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.
- 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.
- 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.
- Annual fee payments to COs related to delivery are normally done after year end closing. For example, annual fee for 2008 delivery is paid in April 2009.
- Refer to Memo from UNDP/GEF Executive Coordinator to all RRs (22 Sept. 2005) regarding GEF IA Fees to UNDP Country Offices


Programme Period:	2008 - 2012
CPAP Programme Component:	Outcome 4.1.1.1
Project Title:	Sustainable Economic Development through Renewable Energy Applications (SEDREA) Project
Atlas Award ID:	00050565
Atlas Project ID:	00062534
Start Date:	01/12/08
End Date:	31/12/11
PAC Meeting Date	November 2008

Estimated annualized budget:	US\$4,400,000
Total resources required	US\$4,400,000
Total allocated resources:	US\$4,400,000
• Regular	N/A
• Other:	
◦ GEF	US\$1,000,000
◦ Government	US\$3,425,000
Unfunded budget:	N/A
In-kind Contributions	N/A

Agreed by Implementing Partner (Palau Energy Office, Ministry of Resources & Development):

12.04.08  FRITZ KOSHIBA, MINISTER  
Date:

Agreed by Government Coordinating Agency (Ministry of State):

12-04-08  TEMMY SCHMULL, MINISTER  
Date:

Agreed by UNDP:

12-07-08  BILLY KURBANDOV  
Date: R.R. a.i.