

OVERVIEW OF IMPLEMENTATION ARRANGEMENTS

The project implementation arrangements include a GEF Implementing Agency (IA), five Project Executing Agencies (PEA) and a Technical Committee:

- **Implementing Agency (IA):** The Inter-American Development Bank (IDB) will act as the Project IA and will be responsible for project supervision, reporting and evaluation. Within the IDB, the Climate Change and Sustainability Division (INE/CCS) will be responsible for IA-related functions.
- **Project Executing Agencies (PEA):** Five PEAs will be responsible for the day-to-day execution of thematic/sectoral activities under the Project:
 - *Instituto Nacional de Ecología y Cambio Climático (INECC)*, a public organization in Mexico, will be the PEA responsible for the execution of component one of the Project on the **development of national policy and institutional capacities**.
 - *Fundación Bariloche (Bariloche)*, a non-for-profit private organization with headquarters in Argentina, will be the PEA responsible for the execution of the **energy sector** activities under components two, three and four.
 - **World Resources Institute (WRI/Embarq)**, a non-for-profit private corporation established in the State of Delaware and with headquarters in Washington D.C. in the United States, will be the PEA responsible for the execution of the activities under components two, three and four that are related to the **transport sector**.
 - *Centro Agronómico Tropical de Investigación y Enseñanza (CATIE)*, a non-for-profit private organization with headquarters in Costa Rica, will act as the PEA for the activities on **forestry** under components two, three and four.
 - The IDB, in its capacity as legal representative and administrator of the **Regional Fund for Agricultural Technology (Fontagro)**, will be the PEA responsible for the execution of the **agriculture sector** activities under components two, three and four. Fontagro is an initiative supported by the IDB and the Inter-American Institute for Cooperation on Agriculture (IICA) which promotes the development of technologies for the agriculture sector. Fontagro operates through regional networks of cooperative programmes for the development of agricultural technology that will constitute the core of a regional network on EST for agriculture. Fontagro's strategy for 2010-2015 highlights climate change adaptation as one of its three pillars and has a portfolio of activities in this area. Fontagro's regional network and experience are key assets that benefit the project and justify the Bank's role as PEA for activities on the agriculture sector. The functions related to PEA for activities on the agriculture sector will be responsibility of the Grant and Co-financing Management Unit (ORP/GCM) of the IDB.
- The IDB will enter into technical cooperation agreements with each PEA, in accordance with the activities agreed with PEAs under each thematic/sectoral scope. PEAs will prepare an annual work plan, detailing the activities and outputs to be delivered. Annual work plans will be submitted to the IDB for review and approval.

- **Technical Committee.** A Technical Committee will be formed by members from the IDB, INECC, Bariloche, WRI, CATIE and Fontagro, as well as other relevant regional and international organizations, as appropriate. The Technical Committee will review progress, facilitate the coordination and enable the exchange of lessons and results across thematic and sectoral scopes.

Details on implementation arrangements. The diagram below illustrates the elements participating in the implementation of the project:

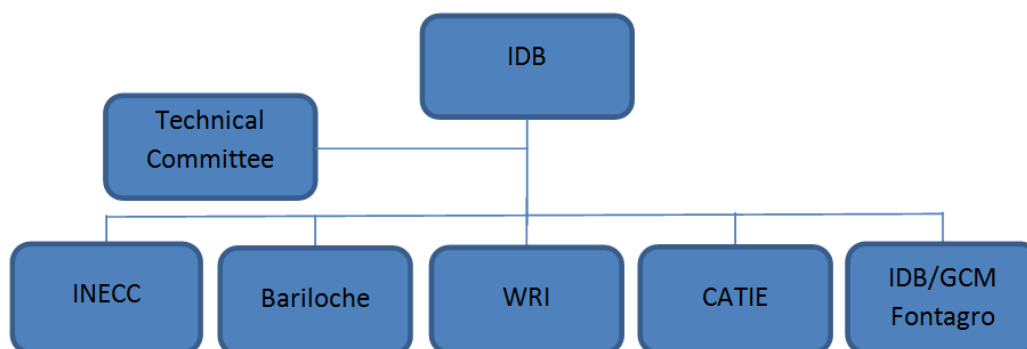


Figure 1. Implementation arrangements

Implementing Agency (IA). The IDB will act as the project IA and will be responsible for project supervision and evaluation, including, *inter alia*, provide technical guidance for project implementation, carry-out at least one annual supervision mission, make advance payments, reimburse incurred expenses to PEAs, make direct payments to third parties, review financial reports, monitor and review project expenditure reports, oversee the preparation of annual implementation reports, undertake the mid-term and final evaluations and prepare the project and financial closure documentation. Within the IDB, INE/CCS will be responsible for IA-related functions. The IDB will supervise the activities of the PEAs through the project team based in IDB's Headquarters in Washington D.C. The IDB will: (i) approve annual work plans prepared by PEAs, (ii) review and compile progress and financial reports prepared by PEAs, and (iii) perform the project's mid-term and final evaluation through external consultants.

Project Executing Agencies (PEA). PEAs will assume responsibility for the execution and administration of the resources assigned to them. These responsibilities include: (i) ensure the successful implementation of each project component to achieve the outcomes and outputs established in the results matrix; (ii) administer the assigned financial resources; (iii) prepare and submit annual operating and financial plans and reports, and ensure that the project has the necessary (audited) annual financial statements; (iv) prepare and execute the procurement and hiring processes and administer the contracts awarded; and (v) supervise and ensure the quality of technical assistance and products provided under the project. The IDB will sign technical cooperation agreements with INECC, Bariloche, WRI and CATIE. Resources from the GEF Trust Fund (GEF TF) and the GEF Special Climate Change Fund (GEF SCCF) will be requested by the IDB to the GEF secretariat on the basis of the needs estimated in the annual work plans, and transferred to individual PEAs following IDB's accepted

disbursement methods (i.e. reimbursement of incurred expenses, advances, and direct payments to third parties).

PEAs comply with the following criteria: (i) are non-for-profit or public organizations; (ii) are legally constituted in a country that is a member of the IDB, (iii) have demonstrated, to the satisfaction of the IDB, the necessary legal, institutional and fiduciary capacities to carry out the Project activities; (iv) have a mission aligned with the objectives of the Project; and, (v) demonstrate a proven track record and expertise in areas related to the Project's objectives and activities that are under their respective responsibility. A guiding principle for the selection of sectoral PEAs was ensuring that the project's implementation arrangements were compatible with and supported the operation of the Climate Technology Centre and Network (CTCN) under the United Nations Framework Convention on Climate Change (UNFCCC). The CTCN is managed by the United Nations Environment Program (UNEP) and the United Nations Industrial Development Organization (UNIDO), supported by eleven centres of excellence in developing and developed countries. Two of these centres of excellence are located in LAC, namely Bariloche and CATIE, which have demonstrated expertise in the energy and forestry sectors, respectively. Partnering with Bariloche and CATIE contributes to the project's goal of supporting the operation of the CTCN and facilitates the coordination of efforts and activities by both the CTCN and the project. Since a distinctive characteristic of the CTCN is the reliance on a network of expert institutions for the delivery of its services to developing countries, the concept of networks is incorporated as a key design element of the Project. WRI and Fontagro contribute to the project two unique blue-prints for the consolidation of EST networks in their respective sectors: transport and agriculture. WRI, through its sustainable transport program Embarq, has established a global network of sustainable transport centers, with regional nodes in LAC operating from Brazil, Mexico and Peru. Fontagro supports cooperative programmes for the development of agricultural technology that promote collaboration among national agricultural research institutes.¹ Fontagro's strategy for 2010-2015 highlights climate change adaptation as one of its three pillars and has a portfolio of activities in this area. Partnering with WRI and Fontagro gives the project the opportunity to test two different approaches to the operation of sectoral EST networks with significant risk, time and cost savings.

- INECC will serve as PEA for component one. INECC is a decentralized, autonomous, public entity of the Mexican Federal Public Administration; it has legal personality and budgetary and administrative autonomy. INECC is aligned under the sector led by Secretaría de Medio Ambiente y Recursos Naturales (SEMARNAT). The mission of INECC is the generation of scientific and technical information on environmental issues and the training of human resources, in order to inform society, support decision making, encourage the protection of the environment, and promote the sustainable use

¹ There are currently five cooperative programmes: (i) Procisur (Argentina, Bolivia, Brazil, Chile, Paraguay, Uruguay); (ii) Prociandino (Bolivia, Colombia, Ecuador, Peru, Venezuela); (iii) Procicaribe (Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago); (iv) SICTA (Belize, Costa Rica, Guatemala, Honduras, Nicaragua, Panama, El Salvador); and (v) Procitropicos (Brazil, Bolivia, Colombia, Ecuador, Peru, Surinam, Venezuela).

of natural resources. A technical coordinator and a project assistant, financed by the GEF grant, will seat in INECC in Mexico City and act as the main contact persons for the project, supporting INECC with the planning and execution of all activities under component one of the project. A detailed [work plan](#) describing the activities and products to be completed by INECC is included as an annex to the technical cooperation document.

An evaluation conducted during the project preparation concluded that INECC has very strong technical competencies. However, the analysis also identified areas for improvement regarding the entity's fiduciary and administrative capabilities. The evaluation also concluded that INECC lacks dedicated manuals for the procurement of goods and services. The analysis rated the fiduciary and procurement risks as medium, while the technical risk has been deemed low. As risk mitigation measures, the project team will provide the necessary training to ensure that IDB's procurement policies and procedures are followed. In addition, INECC will provide audited financial statements every twelve months (alternatively every 18 months). The approval of INECC's annual budget shall be a condition for the disbursement of project's resources.

- Bariloche will serve as PEA for all energy related activities under components two, three and four. Bariloche is a private, non-for-profit, institution created in 1963 to promote education and scientific research. Bariloche has four programs: quality of life, energy, philosophy and environment, and development. Through these programs, Bariloche develops basic and applied research, provides technical assistance to provincial, national and international agencies and provides post-graduate education. The energy program, managed by the Energy Economics Institute, began its activities in 1978. The program focuses on the development of basic and applied research activities, training, dissemination and technical assistance in the field of economics, planning and energy policy. Two technical coordinators, one for renewable energy and one for energy efficiency, will be financed by the GEF grant and operate from Bariloche's office in Buenos Aires. A [work plan](#) describing the activities and products to be completed by Bariloche during the first year of the project is included as an annex to the TC Document.

The conclusion of the evaluation completed during project preparation revealed that Bariloche has adequate technical and monitoring capacities to execute the energy components under the project. The institution has an integrated accounting management system that is adequate for its operation. It allows easy access to information and it concentrates all of Bariloche's accounting and financial operations as well as physical records of financial activity. The activities executed by Bariloche are regulated under the terms of reference and rules of each project, as well as by the rules of the institution. These internal rules require the ability to generate financial statements every semester as well as an annual audit. With regards to the management of disbursements, Bariloche handles a single corporate account, where the entity receives the disbursements of the projects it manages. Bariloche has been evaluated as an executing agency and has demonstrated to have a reasonable financial management. Based on the above, Bariloche has an adequate financial management system and low fiduciary financial risks.

- WRI will serve as PEA for the transportation activities under components two to four. WRI is a private, non-for-profit, institution, whose mission is to move human society to

live in ways that protect Earth's environment and its capacity to provide for the needs and aspirations of current and future generations. One of WRI's climate initiatives, the WRI center for sustainable transport, EMBARQ, catalyzes and supports sustainable transport solutions to improve quality of life in cities. Since 2002, the EMBARQ network has expanded to Mexico, Brazil, China, India, Turkey and the Andean region, collaborating with local transport authorities to reduce pollution, improve public health, and create safe, accessible and attractive urban public spaces. The network employs more than 120 experts in fields including architecture, air quality management, geography, journalism, sociology, civil and transport engineering. A technical coordinator for transportation will be financed by the GEF grant to support the execution of activities on transportation from WRI's offices in Washington D.C. A [work plan](#) describing the activities and products to be completed by WRI during the first year of the Project is included as an annex to the technical cooperation document.

The evaluation prepared by the project team deemed satisfactory to use WRI's procurement and financial management procedures. WRI's transport program operates in LAC through local partners and experts that carry out activities supervised and paid from Washington, D.C., through contracting agreements or sub-grants. Mitigation measures will be taken to ensure that IDB Procurement and Financial Management policies, principles, eligibility and contractual obligations are observed at all levels of implementation in the technical cooperation agreement between the IDB and WRI.

- CATIE will be the PEA for the forestry activities under components two, three and four. CATIE is a regional center of excellence, established as a private, non-for-profit institution, that is working since 1973 to help rural communities in LAC achieve higher levels of human development via the competitive and sustainable provision of ecosystem goods and services and the integrated management of agricultural and natural resources. Its mission is to increase human well-being and reduce rural poverty through education, research and technical cooperation, promoting sustainable agriculture and natural resource management. The GEF grant will finance a technical coordinator for forestry that will work from CATIE's headquarters in Turrialba, Costa Rica. A [work plan](#) describing the activities and products to be completed by CATIE during the first year of the Project is included as an annex to the technical cooperation document.

The team developed an institutional risk analysis, concluding that CATIE has adequate technical and monitoring capacities to execute the forestry components under the project. CATIE uses the Integrated Financial Information System for accounting and financial control of projects. This system links processes of purchase orders, inventory, fixed assets and project financial information. The system manages funds of various projects and has the ability to generate financial statements for each of them. Financial statements are generated every month, allowing financial control for each project and the identification of the costs incurred in each component. CATIE manages disbursements through a single corporate account, where the entity receives deposits for the projects under execution. There is a clear separation of functions in the area of financial management and an adequate organizational structure. CATIE manages and executes procurement processes in an efficient manner. CATIE has a legal basis that follows the transparency, economy, efficiency and competence principles established by the Bank's policies. Moreover, CATIE has an adequate knowledge of the financial

management processes of the Bank and has an adequate internal financial management system; therefore the executing agency has a medium fiduciary financial risk. The progress of the procurement processes of the Bank's operations being executed by CATIE confirms its capacity as an executing partner and therefore in terms of the procurement aspects, CATIE has been evaluated with a medium risk level (CATIE is currently the executing agency for IDB's technical cooperation projects RG-T1837 and RG-T2274).

- The IDB, in its capacity as legal representative and administrator of Fontagro, will be the PEA for the agriculture activities under components two to four. Fontagro will provide its technical expertise to support the execution of the activities under its responsibility. Fontagro is an alliance of Latin-American and Caribbean countries that supports research and innovation in agriculture. It is sponsored by the IDB and the Inter-American Institute for Cooperation on Agriculture (IICA). Fontagro aims at reducing poverty, promoting the competitiveness of agri-food chains and the sustainable management of natural resources. Fontagro has encouraged cooperation in science and technology among member countries and centers of excellence. It has developed alliances with national, regional and international organizations including members of the Consultative Group on International Agricultural Research (CGIAR), the IDB, IICA, national governments, universities and the private sector. A technical coordinator for agriculture will seat at Fontagro's secretariat in IDB's headquarters in Washington D.C. The technical coordinator for agriculture will be financed with the GEF grant. Within the IDB, ORP/GCM will perform the functions of PEA for activities on the agriculture sector.

Technical Committee. A Technical Committee will be established to facilitate an effective coordination among partner institutions. It will be constituted by representatives of the IDB, INECC, Bariloche, WRI, CATIE and ORP/GCM-Fontagro. Other relevant institutions could be invited to be part of the Technical Committee. The Technical Committee will meet at least once a year to review the progress of the project, share information and facilitate decisions on technical and administrative matters. The Technical Committee could invite practitioners and scientists to participate in meetings to provide technical insight into decision-making.

Operational Manuals (OMs). The rules and procedures for project management and implementation will be detailed in OMs prepared by PEAs in accordance with the rules and procedures of the GEF and the IDB. OMs will include the following subjects, among others: (i) procedures for hiring and procurement; (ii) financial planning, preferred methods of disbursements, accounting, internal controls, foreign exchange rate for justification of expenses, financial reporting and audits; (iii) procedures for management and coordination; and (iv) monitoring, follow-up and evaluation systems.

Disbursements and cash flow. The disbursement period will be 40 months from the date on which the cooperation agreement between the IDB and a PEA is signed; the implementation period will be 36 months. PEAs will prepare disbursement requests that will be submitted to the IDB. IDB will disburse resources under the modalities of reimbursement of incurred expenses, advances and/or direct payments by the Bank to third parties, in accordance with the document "OP-273-2. Financial Management Policy for IDB-Financed Projects". Disbursements will be supervised on an ex-post basis. The equivalence of costs incurred as part of the local contribution will be calculated using the

same exchange rate for converting funds to the currency of the beneficiary's country. With regards to the management of disbursements, PEAs will handle a single corporate account where each entity will receive the funds for their activities. Concerning INECC, the condition prior to all disbursements of project resources will be the approval of its annual budget.

Procurement and hiring. All procurement activities to be carried out by the Bank as the executing agency will follow current procedures for the selection of consulting firms per Policy GN-2350-9 using the tool e-sourcing; Human Resources procedures per ADM-650 for the hiring of individual consultants; and Corporate Procurement procedures for all non-consulting services, per Policy GN-2303-20.

All procurement activities to be carried out by PEA will follow the Policies for the Procurement of Goods and Works Financed by IDB (GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (GN-2350-9). Concerning external audits, the project team will determine if audited or unaudited project financial statements are required from each PEA based on the amount of the contribution, level of risk and complexity of the components to be executed. A procurement plan for the first year of project execution is included in Annex II of the technical cooperation document. PEAs will agree with the IDB on a Procurement Plan for the first 12 months of implementation. The PEAs should update the Procurement Plan on an annual basis or when substantial changes are made. Any proposed revision to the Plan should be agreed with the IDB. The IDB's supervision of the procurement and hiring program will be conducted ex-post, except in the case of exceptions stipulated in the Procurement Plan.

Supervision. Disbursements will be supervised on an ex-post basis. To this end, PEAs should have: a) a financial information system acceptable to the Bank that allows the inputting of accounting, budget and financial information as well as the issuance of financial statements and other reports related to IADB/GEF funds (Trust Fund, Special Climate Change Fund) and other sources of financing, if applicable; and b) an internal control structure that enables the effective management of the Project, provides reliable financial information, physical, magnetic and electronic files and physical records, and enables compliance with the provisions contained herein.

Financial statements. The financial statements and eligibility of the project's expenditures related to activities under the responsibility of PEAs will be audited by independent auditing firms acceptable to the Bank. The project's financial statements prepared by PEAs should be submitted to the Bank for review no later than four months after the close of each fiscal year, according to what was previously agreed in applicable procedures and terms of reference about procurement review, in addition to the Bank's actions and reviews. According to the current policy regarding access to and dissemination of information, the project reports should be published in the Bank's systems.

Summary of arrangements for monitoring and evaluation. The project's monitoring and evaluation will allow tracking and assessing the progress towards achieving the outputs and outcomes, as defined in the [Detailed Results Matrix](#). Monitoring and evaluation will be conducted in accordance with IDB and GEF guidance and procedures. Annual reports, as well as the mid-term and final evaluations will be presented by PEAs to the IDB for approval. The IDB will compile annual reports by PEAs and submit them

to the GEF secretariat. The mid-term evaluation will be completed by an external party and will be conducted within eighteen months after project approval or when 40% of the GEF resources have been disbursed, whichever comes last. This evaluation will determine progress toward the achievement of project objectives, the level of stakeholder participation, positive changes as a result of the intervention, and will identify necessary changes to be made. This review will principally ascertain if project outcomes are in the process of being met by current implementation strategies. An external final evaluation will be conducted three months before project closure and will focus on the same areas mentioned above. The final evaluation will undertake an ex-post, cost-effectiveness analysis to evaluate project results and impacts. The mid-term and final evaluations will be contracted by the IDB and paid with resources from the agency fee.