



**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**Executive Board – Seventy-Ninth Session**  
Rome, 10-11 September 2003

**REPUBLIC OF KENYA**

**PRESIDENT'S MEMORANDUM**

**MOUNT KENYA EAST PILOT PROJECT FOR NATURAL RESOURCE MANAGEMENT  
(LOAN NO. 599-KE): GLOBAL ENVIRONMENT FACILITY (GEF):  
SUPPLEMENTARY FUNDING FROM THE UNITED NATIONS ENVIRONMENT  
PROGRAMME (UNEP)**

**APPROVAL TO CONCLUDE GEF BLOCK B PROJECT DOCUMENT/FINANCING AGREEMENT  
WITH UNEP**

1. At its Seventy-Seventh Session in December 2002, the Executive Board approved a loan of 12.7 million Special Drawing Rights to the Republic of Kenya on highly concessional terms for the Mount Kenya East Pilot Project for Natural Resource Management (document EB 2002/77/R.18/Rev.1). Project costs provisionally included USD 4.87 million in cofinancing from the Global Environment Facility (GEF). At that Session, the Executive Board was also informed that in late 2002 the GEF Secretariat would be reviewing a request for a GEF project development facility (PDF) Block B grant for funding the preparation of the project's GEF sub-component.
2. **Background.** GEF works through various institutions in preparing, appraising and implementing the projects it finances: its three implementing agencies – the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP) and the World Bank – which submit project proposals directly to the GEF Secretariat and the GEF Council; the executing agencies, which include IFAD; and other partners such as ministries and local institutions. In May 2001, the GEF Council approved IFAD as an executing agency under its policy



of expanded opportunities for executing agencies. Subsequently, the Executive Board authorized the President of IFAD to negotiate and finalize a letter of agreement and memorandum of understanding with GEF and a financial procedures agreement with the International Bank for Reconstruction and Development, as the trustee of the GEF Trust Fund (document EB 2001/73/R.30). In October 2001, IFAD entered into the aforementioned agreements, which it duly reported to the Executive Board at its Seventy-Fifth Session in April 2002 (document EB 2002/75/INF.3). The Fund has not yet signed similar agreements with UNEP and UNDP.

3. IFAD prepared a country strategic opportunities paper for Kenya in 2001, submitting it to the Executive Board in September 2002 (document EB 2002/76/R.10). At that time, IFAD also initiated discussions with UNEP's regional office in Nairobi on the preparation of a GEF activity to be carried out in tandem with the planned IFAD-financed project. IFAD has found collaboration with UNEP in Kenya to be particularly valuable in view of the Programme's past experience in the Mount Kenya area and its role as a GEF implementing agency.

4. UNEP and IFAD prepared the first draft of a concept note in July 2002, following preparation of the IFAD-financed project. At that time, UNEP recommended that IFAD expand the concept note to include a PDF Block B grant request for USD 350 000 to support preparation work for the proposed project. The concept note/grant request was submitted to UNEP in September 2002. In November of the same year, UNEP obtained the Kenyan GEF focal point's clearance of this document and technical clearance. The concept note/grant request was then formally submitted to the GEF Secretariat, and was approved by the GEF Council in May 2003. UNEP has already received the grant funds from GEF, to be made available to IFAD. To access these funds, IFAD needs to sign a project document/financing agreement with UNEP.

5. **Status of the project and its linkage with GEF activities.** Following the elections held in December 2002, there has been a change of government in Kenya. The new Government has submitted a plan for fulfilling loan effectiveness conditions by 1 January 2004, and it is expected that this deadline will be met. GEF-related activities should be prepared during the first year of project implementation using the PDF Block B grant made available to IFAD for this purpose. This will mean that these activities can begin within 18 months after the declaration of loan effectiveness.

#### RECOMMENDATION

6. The Executive Board is invited to authorize the President to conclude the project document/financing agreement with UNEP for the release of the Block B grant funds to IFAD for the Mount Kenya East Pilot Project for Natural Resource Management in the Republic of Kenya.