



Deutsche Gesellschaft für  
Technische Zusammenarbeit (GTZ) GmbH

Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH  
Postfach 51 80, 65726 Eschborn

Inter-American Development Bank (IDB)  
1300 New York Avenue NW  
20577 Washington D.C.

Telefon  
(06196) 79-2293

Telefax  
(06196) 79-7244

E-Mail  
Ingrid.Salge@gtz.de

U.S.A.

Ihre Zeichen, Ihre Nachricht vom

Unsere Zeichen  
5031-Sal

Datum  
June 6, 2005

### Grant Agreement between GTZ and IDB

**Program:** Program Name: "Renewable Energies and Energy Efficiency  
in Latin America and the Caribbean" (the "Program")  
**Project Number:** 04.2148.7-001.00  
**Agreement Number:** 81077432

**Whereas** On the basis of the Memorandum of Understanding ("MoU"), dated January 30, 2002, and the Strategic Partnership Agreement for Cooperation on Renewable Energy Development ("SPA"), dated June 3, 2004, between the German Federal Ministry for Economic Cooperation and Development ("BMZ") and the Inter-American Development Bank ("IDB"), the Government of Germany ("Germany") represented by the BMZ, has commissioned the Deutsche Gesellschaft für Technische Zusammenarbeit ("GTZ") GmbH to support the IDB in financing the above-mentioned Program (the "Program").

**Whereas** relevant documents for this Grant Agreement (the "Agreement") are: (a) for GTZ, GTZ's offer to the BMZ (Annex A); (b) for IDB, the "Program Description and Work Plan" for the technical cooperation No. RS-T1161, (the "Program Plan"), substantially in the form of (Annex B).

Consequently, GTZ is prepared, in accordance with the offer to the BMZ, to provide a financial contribution (the "Contribution") to the IDB (together the IDB and the GTZ are referred hereinafter as the "Parties", and individually as the "Party") of up to

**EUR 1,000,000**  
(in words: one million Euros)

#### IDB 81077432

Postfach 51 80  
D-65726 Eschborn  
Dag-Hammarskjöld-Weg 1-5  
D-65760 Eschborn  
Telefon +49 (0) 61 96 79-0  
Telefax +49 (0) 61 96 79-11 15

Telex 40 75 01-0 gtz d  
Internet: <http://www.gtz.de>  
E-Mail: [Postmaster@gtz.de](mailto:Postmaster@gtz.de)

Vorsitzender des Aufsichtsrates:  
Staatssekretär Erich Stather  
Geschäftsführer:  
Dr. Bernd Eisenblätter  
Wolfgang Schmitt

Sitz der Gesellschaft:  
Eschborn/Taunus  
Amtsgericht Frankfurt am Main  
Eintragungs-Nr. HRB 12394  
USt-IdNr.: DE 113891176  
Steuer-Nr.: 040 250 56973

Bankverbindung:  
Commerzbank AG, Frankfurt am Main  
BLZ: 500 400 00  
Konto-Nr.: 58 89 555-00  
BIC (S.W.I.F.T.): COBA DE FF  
IBAN: DE 45 500 400 00 05889 555 00

## 1. Program Objectives and Implementation

- 1.1 This project is a regional program of work based on the observation that increased uses of cost-effective renewable energy (RE) and improvements in energy efficiency (EE) are important components for achieving sustainable development in Latin America and the Caribbean (LAC). Both RE and EE can provide a number of benefits in terms of economic and social development, poverty alleviation, competitiveness, environmental protection, and supply diversification. Despite these benefits, however, there remain barriers to increasing cost-effective and developmentally beneficial RE and EE activity in the Region.
- 1.2 The essential problem lies in the fact that these barriers derive from numerous sources including inadequate political and legal structures, regulatory distortions in the energy sector, lack of familiarity in many cases with smaller and more decentralised energy systems, other deficits in technical and economic knowledge, and inadequate financing mechanisms. To lower these barriers and identify further activities that are developmentally and financially sound requires, in turn: (a) reduction in knowledge gaps through additional systematic assessment of RE/EE experience in LAC, particularly its economic and financial dimensions; (b) sharing of analysis and knowledge of lessons learned and good practices among RE/EE decision-makers in the region and among energy and other project specialists in the Bank; which can then engender (c) application of the knowledge to investment pipelines. Such a systematic effort in knowledge building, assessment, and dissemination would both provide more precise understanding of what additional beneficial RE and EE activities might be identified and executed in the region, and better understanding of the various means to this end in order to guide expanded pipelines of RE/EE projects.
- 1.3 The overall objective of the proposed regional program accordingly is to benefit the sustainable development of IDB beneficiary countries over the medium to longer term, through support to increased renewable energy (RE) and energy efficiency (EE) investment and other activities in those countries. The overall benefit of the program will be derived from its impacts on the Region's energy sector, and from its longer-term impacts on greenhouse gas emissions in the Region. The program encompasses increased knowledge to the beneficiary countries through impacts on public and private decision makers and on civil society participants in energy development. The overall objective is to be accomplished first through the development, assessment, and dissemination of knowledge and good practices information with and through both the IDB and relevant public and private sector institutions and actors as well as civil society in its beneficiary member countries. As well, the program will provide various forms of support for more concrete project identification and preliminary preparation activities, as guided by the lessons learned in the assessment phase and reflecting the priorities of the beneficiary countries.
- 1.4 A period of 42 months (from June 2005 to December 2008) is planned as total term of the program (including 36 months for execution and six additional months for terminal evaluation). The following general results are expected to be achieved:
  - 1.4.1 The ultimate *beneficiary impacts* anticipated from the program are expected to be increased availability and affordability of energy services that support improved living conditions and reduced poverty, particularly in rural and other low-income areas; and availability of cleaner energy services that reduce local pollution, conserve natural resources, and mitigate greenhouse gas emissions.

- 1.4.2 To support achievement of these ultimate impacts, *intermediate impacts* for decision makers and stakeholders in beneficiary countries are expected to be expanded abilities to identify, assess, and where appropriate implement RE and EE investments as well as supporting policy and institutional measures.
- 1.4.3 More indirect but more measurable indicators outputs and outcomes are expected to include: (1) Increased availability of knowledge, lessons learned, and good practices in developmentally effective RE and EE activities in the region; (2) Increased awareness in bank beneficiary countries to the sustainable development benefits of RE and EE; (3) Increased awareness in Bank operational programs of the sustainable development benefits of RE and EE; and (4) increased opportunities for developmentally beneficial RE and EE projects for inclusion in investment pipelines.

## 2. Budget of the Program and Financing Schedule

- 2.1 The IDB shall use the Contribution consistently with the Program Plan and within the terms of this Agreement.
- 2.2 The Budget of the Program (the "Budget of the Program") and its financing schedule (the "Schedule of Financial Requirements") are included herein as Annexes C and D respectively.

## 3. Disbursements and Processing of the Contribution

- 3.1 Consistently with the Schedule of Financial Requirements (Annex D), the GTZ will deposit the Contribution in four tranches, upon request from the Cofinancing Division of the IDB, into the account indicated by the IDB as follows:
  - 3.1.1. The first disbursement of four hundred thousand Euros (€ 400,000) will be made upon signature of this Agreement in a legally-binding form.
  - 3.1.2. The second disbursement of three hundred thousand Euros (€ 300,000) will be made after submission of the first Program Progress Report and an Interim Statement of Account (approx. June, 2006), as provided and defined below in Section 6.2.
  - 3.1.3. The third disbursement of two hundred and fifty thousand Euros (€ 250,000) will be made after submission of the second Program Progress Report and an Interim Statement of Account (approx. June, 2007), pursuant to Section 6.2.
  - 3.1.4. The fourth and final payment of up to fifty thousand Euros (€ 50,000) will be made after submission of the third Program Progress Report and an Interim Statement of Account (approx. June, 2008), as provided below in Section 6.2.
- 3.2 In case of changes in the financial requirements, a new Schedule of Financial Requirements will be agreed upon in writing between the Parties. Nevertheless, the total amount of the Contribution shall remain the same.
- 3.3 In case that an Interim Statement of Account shows remaining funds from the previous disbursement, this amount will be taken into account for the following disbursement.
- 3.4 The call for each disbursement shall be submitted in two copies originally signed and must include the project number and the contract number (see specimen in Annex E).

- 3.5 The Contribution will be used exclusively to finance the Program in the period mentioned in section 1.4. and any other related cost indicated in Annex C. The GTZ has the right to refuse disbursements thereafter.
- 3.6 The IDB will immediately convert the Contribution into US Dollars (“\$”) to carry out the Program and will manage this Contribution from one account in US Dollars (the “German Account”). The German Account will also accept other possible contributions from Germany under the existing MoU. Pursuant to Section 4.4 below, the IDB will not bear any exchange rate risk.
- 3.7 The IDB shall acknowledge receipt of the funds immediately in writing, informing GTZ also of the counter-value in US-Dollars of each disbursement.

#### **4. Administration of the Contribution**

- 4.1 To facilitate the successful implementation of the Program, the IDB will have the overall responsibility for the Administration of the Contribution. The IDB's Cofinancing Division will liaison with GTZ and will be responsible for any requests or communication related to the disbursement of the Contribution. The basic and technical responsibility of the Program will be carried out by the IDB's Environment Division (“SDS/ENV”)
- 4.2 IDB's use of the resources of the Contribution and its engagement in the activities of the Program as contemplated herein or any additional activities, shall be subject to the formalization of all required internal approvals.
- 4.3 In accordance with its usual procedures, the IDB will:
- 4.3.1 Maintain separate records for the Contribution, and
  - 4.3.2 Provide GTZ with the reports described in Section 6 of this Agreement.
- 4.4 The IDB may freely exchange resources of the Contribution into other currencies to facilitate their administration and disbursement. The IDB will not bear any exchange rate risk.
- 4.5 The IDB will not commit any resources beyond the amounts it has already effectively received, provided also that such resources were not already committed, and that the fee established in Section 4.7 has been already paid in full.
- 4.6 The IDB may, at its discretion, invest and reinvest the resources of the Contribution pending their disbursement to pay for Program activities. Any interest and investment income shall be returned to GTZ every year, within six months after the IDB's fiscal year end. .
- 4.7 To defray IDB's administration costs related to this Agreement, GTZ hereby authorize IDB to deduct from the first disbursement of the Contribution, indicated in Section 3.1.1 above, an amount equal to the 5% (five percent), that is, € 50,000.00 (fifty thousand Euros).
- 4.8 The IDB shall inform the GTZ in good time of any significant departures from the Program Plan, which could involve a modification of the financial requirements of the Program.
- 4.9 Any uncommitted funds (including any interest and investment income not credited to GTZ pursuant to Section 4.6) shall be returned to GTZ upon termination of the Program and de-

posited in the GTZ's account with the Deutsche Bundesbank, Frankfurt am Main, Account no.: 504 089 10, unless otherwise agreed in writing.

## **5. Obligations of the IDB**

- 5.1 The IDB will exercise the same care in the execution of its functions, as described in this Agreement, as it exercises with respect to the administration and management of its own affairs and will have no further liability to GTZ in respect thereof.
- 5.2 The IDB shall implement the Project in accordance with its policies and procedures, including its administration and procurement rules and practices, pursuant to Section 3.03 of the MoU and Article 3.3 of the SPA.
- 5.3 The IDB will ensure, by means of agreement(s) to be entered into in writing by and between the IDB and its regional member countries (the "Regional Countries"), if any, that its procurement policies and procedures will apply to any acquisitions to be done by the Regional Countries or any of its agencies with resources of the Contribution.
- 5.4 Upon written request by GTZ, the IDB shall furnish any relevant information on its procurement policies and procedures, subject to the IDB's policies and procedures with respect to disclosure of information.

## **6. Reporting**

- 6.1 Any report required about the Contribution and/or the Program will use the US Dollar ("\$\$") as its reporting currency.
- 6.2 The IDB shall submit to GTZ three Program Progress Reports (the "Program Progress Reports"), prepared by SDS/ENV. The Program Progress Reports will be submitted previously to the requests of disbursements of the Contribution, as indicated above in Sections 3.1.2, 3.1.3 and 3.1.4. Each report indicated in this paragraph shall be accompanied by an Interim Statement of Account (the "Interim Statements of Account") showing expenses and remaining funds from this contribution in US-Dollars, originally signed by IDB.
- 6.3 A final evaluation of the Program to be prepared by a consultant or consulting firm that will be hired with resources of the Contribution, and that will be delivered to GTZ within 6 months after the completion of the activities scheduled in the Program Plan.
- 6.4 GTZ may request IDB to have its external auditor issue a special report related to this Agreement, based on agreed-upon procedures. The cost of such special report will be borne by GTZ. GTZ will deposit the amount to cover this cost upon receiving written instructions by the IDB.

## **7. Accounting Procedure and Invoice Verification**

- 7.1 The IDB shall submit to the GTZ a final report of the Program, to be prepared by SDS/ENV, including a final statement of accounts and the utilization of the funds, signed by the Manager of the Sustainable Development Department ("SDS") or whomever he designates within six months after the end of the IDB's fiscal year in which the last disbursement was made by IDB under the Contribution (approx. June, 2009). The IDB confirms that the financial transactions

relating to the financial contribution shall be effected in accordance with IDB's policies and procedures.

- 7.2 Should an audit report by IDB's external auditor(s) to its governing body contain observations pertaining to the GTZ's financial contribution, a copy of such report and of IDB's published comments thereon shall be made available to the GTZ without any express request to this effect.

## **8. Cooperation and Consultation**

- 8.1 The Parties will cooperate fully to ensure that the specific objectives of the Project are successfully accomplished. To that effect, each Party will furnish to the other Party all such information as may reasonably be required pertaining to the Project, including visits to the project, subject to each of the Parties' policies and procedures, including its policies with respect to the disclosure of information.
- 8.2 The Parties will promptly inform each other in writing of any event or situation which might adversely affect the implementation of this Agreement and which may require an amendment or modification to this Agreement.

## **9. Entry into force, Termination and Amendments**

- 9.1 This Agreement will come into effect upon its signature by the authorized representatives of the Parties and shall remain in force until the Parties have fulfilled all obligations arising from it, including those associated with an early termination of the Agreement, pursuant to the following paragraph.
- 9.2 This Agreement may be terminated, in whole or in part, by written agreement of the Parties hereto. If, at any time, either Party determines that the purposes of this Agreement can no longer be effectively or appropriately carried out, the Parties will convene and use their best efforts to agree on remedial actions. If an agreement cannot be reached or if the remedial actions agreed to are not implemented within three months, either Party may terminate this Agreement by giving three months written notice to the other Party.
- 9.3 Termination of this Agreement for any cause will not affect contracts entered into with third parties in accordance with this Agreement. The IDB may draw funds from the Contribution in order to honor obligations under such contracts.
- 9.4 This Agreement may be amended only by mutual written agreement of the Parties.

## **10. Miscellaneous**

- 10.1 Each one of the Regional Countries will be the owner of all the equipment, supplies, and other goods, if any, financed in its country by the Contribution in accordance with this Agreement.
- 10.2 Subject to their respective policies and procedures with respect to the disclosure of information, the Parties may make this Administrative Agreement hereunder publicly available.

10.3 Any dispute arising over the implementation, application, or interpretation of any of the provisions of the present Agreement, will be settled through consultations, negotiations, or any such others means as the Parties will mutually agree with a view to reaching an agreement. This Agreement consists of the body of this Grant Agreement and its several annexes. In the event of any inconsistency, the terms of the body of the Agreement shall prevail.

10.4 Any notice or request required or permitted to be given or made under this Agreement will be in writing. Such notice or request will be delivered by hand, mail or facsimile, to the address or facsimile number specified below:

10.4.1 For **GTZ**: Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH  
P.O. Box 51 80  
65726 Eschborn

10.4.1.1 Contractual responsibility:  
Att. Mrs Ingrid Salge  
Contract Management  
Fax: ++ 49-6196 – 79 7244  
e-mail: [Ingrid.Salge@gtz.de](mailto:Ingrid.Salge@gtz.de)

10.4.1.2 Financial processing:  
Att. Mrs Renate Eckert  
Finance and Submission Section  
Fax: ++49-6196 – 79 7244  
e-mail: [Renate.Eckert@gtz.de](mailto:Renate.Eckert@gtz.de)

10.4.1.3 Technical responsibility:  
Att. Mr Edgar von Knebel  
Regional Department Central America, Caribbean, Director  
Fax: ++49-6196 – 79 80 2476  
e-mail: [Sabine.Kittel@gtz.de](mailto:Sabine.Kittel@gtz.de)

10.4.2 For the **IDB**: Inter-American Development Bank  
1300 New York Ave NW  
20577 Washington DC

10.4.2.1 Financial responsibility:  
Att. Mr. Bertus J. Meins  
Cofinancing Division, Chief, RE2/CEP  
Phone (202) 623-2914  
Fax (202) 623-2543  
e-mail [Bertusm@iadb.org](mailto:Bertusm@iadb.org)

10.4.2.2 Technical responsibility:  
Ms. Janine Ferretti  
Environment Division, Chief, SDS/ENV  
Phone (202) 623-1795  
Fax (202) 623-1786  
e-mail [Janinef@iadb.org](mailto:Janinef@iadb.org)

We would be grateful if you could confirm that you agree to the proposed Agreement by signing the attached duplicate of this Agreement in a legally-binding form and returning it to the GTZ.

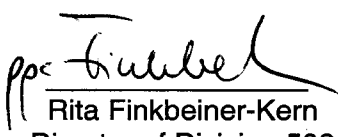
Yours truly,

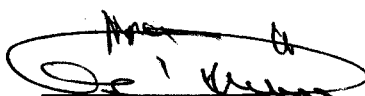
Eschborn, June 6, 2005


Washington D.C.,

**Deutsche Gesellschaft für Technische  
Zusammenarbeit (GTZ) GmbH**

**Inter-American  
Development Bank**

*bl*  
*f*  
*ppc*   
Rita Finkbeiner-Kern  
Director of Division 503  
Contracting, Procurement  
and Logistics

  
Günter Dresrüsse  
Director of  
Country Department  
Asia/Pacific, Latin  
America/Caribbean

  
Bertus J. Meins  
Division Chief for Cofinancing

- Annex A: Offer to the BMZ
- Annex B: Program Plan
- Annex C: Budget of the Program Plan
- Annex D: Schedule of Financial Requirements
- Annex E: Call for Disbursement



# Offer

on the implementation of the project  
**Renewable Energies and Energy Efficiency in Latin America /  
the Caribbean, America Supraregional**

Projekt Number:  
**2004.2148.7**

## 1. Brief description of the project

The use of renewable energy (RE) and energy efficiency (EE) are important for achieving a sustainable energy and development strategy in Latin America, and particularly so in rural areas. The use of RE is in many cases a cost-effective alternative for increasing the energy supply in rural areas. Grid-based use can provide clean energy at comparatively favourable costs. Improved energy efficiency reduces costs, increases productivity and competitiveness, and reduces environmental pollution.

Lacking or inadequate political and legal structures, a general dislike of small and decentralised energy systems, deficits in technical and economic knowledge, and inadequate financing mechanisms are just a few of the most frequently cited obstacles to increased use of RE and EE in Latin America and the Caribbean. There is a lack of any systematic and checkable list of relevant experience and sustainable embedding of this know-how among decision-makers in the region in the fields of policy, finance and business. Subsequently only a few activities of RE and EE are identified and executed (**core problem**). One group of important actors in promoting RE/EE comprises the regional development banks, which have important influence through their structuring of credit programmes in the energy and other relevant sectors. Initiation of credit and promotional programmes to promote RE/EE in Latin America and the Caribbean currently plays a very limited role in the portfolio of the region's biggest lender, the Inter-American Development Bank (IDB). The project's **overall objective** is: to provide additional and improved information to the Inter-American Development Bank (IDB) and to the relevant institutions in its borrower member countries on the benefits of renewable energy (RE) and energy efficiency (EE), and to identify and evaluate new RE and EE projects to benefit the borrower countries.

The project was officially agreed between the IDB and BMZ at the "Renewables 2004" energy conference in Bonn. It creates an opportunity for achieving greater significance for German bilateral development cooperation in the energy sector in Latin America, by using alliances and partnerships to make more efficient use of the funds for energy programmes and by linking promotional activities in the individual countries more strongly. The project is very relevant, as a sustainable energy supply is extremely important for most countries in Latin America, and the countries at the energy conference committed themselves to taking more measures to promote renewable energy and energy efficiency.

The regional project is aimed at the regional and technical departments of the IDB and decision-makers in government, the private sector and civil society in the member states. The project will provide methodological, technical and financial assistance to studies, analyses, seminars and advanced training events and publications. These activities will be carried out by the IDB autonomously, specifically where they involve identifying projects in the region. It is planned to enter into a financing agreement with the IDB for up to EUR 1 million, to be used for consulting services and advanced training measures.

The proposed term is three years (01/2005-12/2007), with a total German contribution of up to EUR 2,600,000.

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## 2. Binding elements

<p><b>2.1</b> <b>Overall objective, indicators</b></p>	<p><b>Overall objective:</b></p> <p>Improved information for the Inter-American Development Bank (IDB) and the relevant institutions in its borrower member countries on the benefits of renewable energy (RE) and energy efficiency (EE), and identification and evaluation of new RE and EE projects.</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>• At least 2 seminars are carried out to disseminate knowledge and experience. At the same time written materials concerning the possible application of RE and EE (e.g. studies, manuals, best practice reports etc.) are disseminated.</li> <li>• As a result of the project, RE and EE are incorporated in at least two country or sectoral strategies (including corresponding policy recommendations) of IDB member states as potential options for action.</li> <li>• At least two RE/EE promotional concepts including implementation mechanisms have been jointly developed in at least two countries and are in the testing stage.</li> <li>• At least two coordinated project applications for financing have been submitted to IDB/KfW and are in the internal approval process.</li> </ul>
<p><b>2.2</b> <b>Objectives and indicators for the phase under review</b></p>	<p>Just one phase is proposed with a term of three years.</p>
<p><b>2.3</b> <b>Target group and intermediaries</b></p>	<p>The project <b>target group</b> comprises the predominantly poor population in those rural areas where RE is increasingly used as the best or only option for supplying modern energy. Where the use of RE for grid supply is promoted or EE reduces demand for commercial energy, the resulting benefits accrue to the population as a whole and reduce the creation of global greenhouse gases.</p> <p>Project <b>intermediaries</b> are IDB staff, both in the headquarters departments in Washington DC and in the regional offices. Further intermediaries are the decision-makers in the areas of policy, the private sector and civil society in the member states who are involved in positions of responsibility in structuring the energy systems.</p>
<p><b>2.4</b> <b>Contract value of the</b></p>	<p>Up to EUR 2,600,000</p>

on the implementation of the project  
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<b>phase under review in EUR</b>	
<b>2.5 Lead executing agency</b>	This is a regional project.
<b>2.6 Agreements on cooperation</b>	Close coordination of the project has been agreed with the IDB, which will be responsible for carrying out individual sub-areas. The IDB will receive a financial contribution for this of up to EUR 1,000,000. IDB and the German Development Cooperation Ministry agreed upon the project in a <i>Memorandum of Understanding</i> in January 2002. The confirmation followed through the signature of a <i>Strategic Partnership Agreement for Cooperation on Renewable Energy Development</i> on the occasion of the conference "Renewables 2004".
<b>2.7 GTZ declaration</b>	The relevant guidelines, targets and specifications contained in the country strategy papers, priority strategy papers and binding sector concepts and cross-sectoral concepts of the BMZ have been taken into account during planning and will be respected to during project implementation.

### 3. Key information

<b>3.1 Context</b>	<p>For Latin America and the Caribbean (LAC) also, the availability of low-cost, clean and secure energy is a necessary condition for sustainable development, i.e. a clear reduction in poverty while sparing the local and global environment. The use of renewable energy (RE) and efficient energy use (EE) can play a critical role in achieving a sustainable energy and development strategy, particularly in rural areas. Improved energy efficiency means that the same energy services can be provided with lower (mostly fossil) energy input. This reduces costs, improves productivity and competitiveness, and reduces environmental pollution in the production and consumption of energy. The use of RE is in many cases a cost-effective alternative for increasing the energy supply in rural areas which cannot be economically supplied by conventional energy systems. Grid-based use can provide clean energy at comparatively favourable costs.</p> <p>There are extensive studies and numerous individual practical case histories on the obstacles to increased use of RE and EE in LAC. Lacking or inadequate political and legal structures, a general dislike of small and decentralised energy systems, deficits in technical and economic knowledge, and inadequate financing mechanisms are just a few of the most frequently mentioned obstacles.</p> <p>There is a lack of a systematic and checkable list of relevant experience and its transfer to those responsible in the region (core</p>
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	<p>problem). One group of important actors in promoting RE/EE comprises the regional development banks, which have important influence through their structuring of credit programmes in the energy and other relevant sectors. Initiation of credit and promotional programmes to promote RE/EE in Latin America and the Caribbean currently plays a very limited role in the portfolio of the region's largest lender, the Inter-American Development Bank (IDB). As a result, despite the clearly formulated effort to promote sustainable development and the generally very extensive potential, very few RE and EE activities are being identified or implemented in the region.</p>
<p><b>3.2 Relevance to the partner country's development strategies</b></p>	<p>The IDB's task is to promote the economic and social development of its member states and their cooperation. As with all international financial institutions, its work is aligned with the <i>Millennium Development Goals</i>, with the central goal of halving global poverty by 2015. As the strongest partner for the Latin American countries in handling crises, the IDB has a special role in this.</p> <p>The internal Energy Policy of the IDB fleshes out the goals of economic and social development, financial sustainability, and environmental protection with regard to energy projects. Because a sustainable energy supply is of high importance for most of the Latin American countries, this project aims to strengthen the capacity for consideration of RE and EE projects. This would give the possibility of reaching a higher significance of the German bilateral development cooperation in the energy sector in Latin America. Resources for energy projects could be used more efficiently and activities of support could be better coordinated.</p>
<p><b>3.3 Relevance to the Program of Action 2015 and to international agreements and arrangements</b></p>	<p>The project contributes directly towards implementing point 6 in the German Federal Government's Action Programme 2015: secure access to resources essential to life – promote an intact environment. The programme is consistent with the UN Millennium Development Goals (UNDG). The focus is on UNDG 7 – ensure ecological sustainability. The programme also contributes to UNDG 1 – eliminate extreme poverty and hunger. In addition, the project contributes to implementing <b>Agenda 21</b>.</p> <p>Through its cooperation with the IDB, the project very specifically responds to a call by the ministers, expressed in their policy declaration at the international conference "Renewables 2004" on 4 June 2004, for increased investment activity by the regional development banks in RE and EE projects (in chapter 5).</p>
<p><b>3.4 Relevance to BMZ's country concept, priority strategy and/or cross-sectoral themes</b></p>	<p>The promotion of RE and EE matches the goal of development cooperation with Latin America, which follows the paradigm of sustainable development and duly considers poverty reduction and local and global environmental protection and conservation of natural resources to be crucially important.</p>

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<b>3.5 Relationship to previous bilateral TC measures</b>	None
<b>3.6 Interaction with other development cooperation measures</b>	<p>This regional project aims to assess the experience of (inter alia) German development cooperation in the region, so that this can be transferred to the promotional mechanisms in the region in appropriate form and in close cooperation with the IDB. The incorporation of current TC and FC projects will make an important contribution to this. Particularly important here are:</p> <p>projects aimed at promoting the use of RE, including projects in Chile (Integration of non-conventional renewable energies in electricity generation, PN 2001.2546.8), the Dominican Republic (Using renewable energies, PN 2001.2462.8), Mexico (RE in Baja California Sur, PN 1999.2177.6 and the RE components in the new programme for environmental management and sustainable resource use in Mexico, PN 2003.2462.4); the Caribbean (Renewable energies in the Caribbean in cooperation with UNDP/GEF at CARICOM, PN 2000.2261.6); the sectoral project Promoting RE (PN 2001.2457.8); and the planned regional project for rural energy supply in Chaco (PN 2004.2069.5).</p> <p>The projects to increase energy and production efficiency in SMEs in Argentina (PN 1997.2224.0) and Brazil (PN 1999.2038.0) are also interesting for this offer because of their well-founded experiences in the field of industrial energy efficiency.</p> <p>Concerning the German organisations of development cooperation, KfW recently produced a strategy paper on "Promoting renewable energies and energy efficiency technologies in Latin America", presenting the economic and technical possibilities and constraints in promoting renewable energies (RE) and energy efficiency technologies (EE) in 12 countries in the region. These results together with all the ongoing promotional activities of KfW will flow into the project and form part of the basis for future project identification and implementation.</p> <p>The IDB expects that part of the planned project contributions will be supplemented through the trust funds available to the Bank. This primarily relates to support for measures to identify and assess RE and EE projects.</p>
<b>3.7 Methodological approach and components of support</b>	<p>The project aims to initiate in both the Bank and in selected countries in the region an increase in concrete support for policy planning and investment decisions.</p> <p>An important intermediary element in this objective is availability of increased information to the regional and technical departments of</p>

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	<p>the IDB. This is to be provided through information events, specialist workshops, specific upgrading events on current energy topics, and joint formulation of country strategies and policies, and this experience in turn is to be fed back for distribution in the Bank. It is important that Bank staff should be fully informed on options for renewable energy and have access to tools, such as policy guidelines and new financing concepts, to facilitate work in planning and implementing RE and EE energy projects.</p> <p>In parallel, relevant decision-makers in government, the private sector and civil society will be consulted on country level needs, and strategies will be formulated in selected IDB member states to advance additional RE and EE activities. The project will provide methodological, technical and financial assistance for management and administration of studies, analyses, seminars and advanced training events and publications, and a <i>Coordination Committee</i> (CC) involving IDB and German personnel will be established for this purpose. The country measures will be backstopped from "<i>Focal Points</i>" in the region. Two such contact points are planned, which will be primarily responsible for work at country level and closely linked with the CC.</p> <p>Another important methodological element is establishing cooperation with other institutions, e.g. CEPAL, CDB and with the network of GTZ energy projects in the region, which are to assist with content and logistics and make a pool of experience and detailed knowledge available. Exploiting these potential synergies is a prerequisite for project identification and creating a project pipeline.</p> <p>IDB staff and decision-makers from politics, business and society in the member states will be able to use these <u>project outputs</u> to expand their knowledge of comprehensive assessment of RE and EE measures. This will result in the application of appropriate promotional concepts in local energy strategies and lead to identification and assessment of new RE and EE projects (<u>direct benefit</u>). The resulting expanded IDB project portfolio will be implemented or have an impact where countries decide to implement these projects, which is where the financing mechanisms of the IDB and/or KfW can come into play. However, these impacts are subject to a range of other influences, so that they cannot always be directly credited to the project (<u>indirect benefit</u>). The same applies to the impacts on the target groups of the associated RE and EE projects implemented, which constitute the <u>development policy benefits</u>: these include increased access for poor rural areas to modern fuels, with the resulting possibility of sustainable improvement in the general living conditions there, increased economic productivity, and reduction in poverty. Where RE projects substitute for the use of fossil fuels, or EE projects reduce consumption, natural resources are conserved and the emission of</p>
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	<p>greenhouse gases is reduced, which contributes towards easing the climate problem.</p> <p>The diverse activities and contributions are governed by a financing agreement and joint operation plan between the GTZ and IDB.</p> <p>Including the private sector will play an important role already in developing concepts for promotional strategies, particularly in the methodological components for identifying and implementing concrete RE and EE projects, so that the use of Public-Private Partnership instruments is targeted.</p>
<b>3.8 Project area</b>	This is a regional project in Latin America and the Caribbean. At the start of the project, one or two regional priority areas will be established on the basis of a comprehensive analysis, and concrete countries will be selected in consultation with the IDB and KfW.
<b>3.9 Term</b>	<p>Duration from 01/2005 to 12/2007 (three years)</p> <p>[Note: expected term of IDB execution of the work program is 06/2005 to 06/2008 with an additional 6 months (to 12/2005) for program evaluation.]</p>
<b>3.10 Implementing organisation(s)</b>	This is a cross national project.
<b>3.11 Partnership contributions</b>	In addition to the contributions agreed in the financing agreement, the IDB, represented by the <i>Environment Division</i> in the <i>Sustainable Development Department</i> , will implement and organise cooperation in the form of participation by Bank experts in project planning and implementation for the full term of the project (36 person-months). In addition it will provide technical backstopping to the <i>Coordination Committee</i> and to a <i>Steering Committee</i> for overall coordination between IDB and Germany in energy, supplying additional administrative staff and infrastructure. Total resources committed by the Bank, primarily in-kind, are estimated at EUR 450,000.
<b>3.12 Cofinancing agreements</b>	None
<b>3.13 Anticipated impacts</b>	<p><b>Anticipated socioeconomic impacts</b></p> <p>Increased use of renewable energies, particularly in rural poor areas, as a result of improved knowledge and environments leads to improved living conditions and reduced poverty. The project is rated as belonging to the category "Comprehensive Poverty Reduction at macro or sector level".</p> <p>It contributes to improving formulation of energy policy in the IDB</p>

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	<p>and the responsible organisations in the member states. The aim of the project is to initiate discussion between the responsible ministries and the relevant actors in order to improve transparency of the decisions.</p> <p><b>Anticipated sociocultural impacts</b></p> <p>It is not possible at present to classify the impact of the project in terms of gender, but this is to be investigated in the course of implementation. The project is accordingly rated <b>G0</b> with <b>Need for action "Yes"</b>. The gender issue should always be considered during the realisation of studies concerning energy supply.</p> <p><b>Anticipated ecological impacts</b></p> <p>Substitution of RE use for combustion of fossil fuels and reduction of energy consumption through EE measures will reduce pollution and conserve natural resources. The project specifically contributes towards climate protection. The project is accordingly rated <b>ER2</b> with <b>Need for action "Yes"</b>. When planning concrete investment measures the environmental impacts must be analysed within the framework of the required studies.</p> <p><b>Anticipated impacts on the implementing /executing agencies</b></p> <p>Close cooperation will assist the IDB in focusing its current project portfolio with respect to RE and EE projects. This will strengthen its position as a development bank with a stated goal of promoting sustainable development in the region (e.g. as secretariat for the <i>Plan Puebla Panamá</i>). Its staff will be in a position to make increased efforts to find solutions for investment in sustainable energy supplies.</p>
<p><b>3.14</b> <b>Key risks</b></p>	<p><b>Overall risk that objectives will not be achieved</b></p> <p>high:                      medium: <b>x</b>      low:</p> <p><b>Description and assessment of the individual risks</b></p> <p>To date the IDB has focused more promotion on classic energy infrastructure projects. Expansion of consulting services to promotion of sustainable energy supplies involves expansion of technical knowledge and some expansion of scope in planning processes within the Bank. Planning and implementing RE projects generally requires much more complex and elaborate management than isolated investment projects, and the contribution towards energy supply at the macro level is initially very small in the case of RE.</p> <p>Willingness to promote sustainable energy supplies is relatively high among the member states. Various official papers document</p>



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	<p>promotion of RE and EE projects, and the need for advisory services to energy ministries has been voiced. With growing demand for energy, rising energy prices and social pressure, the urgency of incorporating such concepts in national policies is more likely to increase than decrease.</p> <p><b>Degree to which risks can be influenced</b></p> <p>high:                      medium: <b>x</b>      low:</p> <p><b>Risk-reduction measures</b></p> <p>The project will reduce barriers to RE and EE by including relevant Bank staff in planning, discussions and workshops at an early stage.</p>
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## List of abbreviations

BMZ	Federal Ministry for Economic Cooperation and Development
CARICOM	<i>Caribbean Community</i>
CEPAL/ECLAC	<i>Comisión Económica para América Latina y el Caribe</i> (UN Economic Commission for Latin America and the Caribbean)
EE	Energy Efficiency
EU	European Union
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH
KfW	Kreditanstalt für Wiederaufbau
IDB	Inter-American Development Bank
GEF	Global Environment Facility
LAC	Latin America and the Caribbean
MCC	Management Coordination Committee (joint GTZ-IDB committee)
PPP	Public-Private Partnership
PPP	Plan Puebla Panamá: regional development plan in Central America and Mexico
RE	Renewable (non-conventional) Energy
UNDP	United Nations Development Program

**ANNEX B: PROGRAM DESCRIPTION AND WORK PLAN  
CO-FINANCED REGIONAL PROGRAM**

**MAY 24, 2005**

**Program name:** Renewable Energy and Energy Efficiency in Latin America and the Caribbean

**Project number:**

**Team:** Leader: Michael Toman, SDS/ENV  
Other members: Ricardo Pinheiro (RE1/FI1); Arnaldo Vieira de Carvalho (RE2/FI2); David Noe (RE2/EN2); Alejandro Melandri (RE3/FI3); Lori Kerr (PRI); Daniel Shepherd (MIF); Jaime Millan (SDS/FIM); Angela Miller (IIC)

**Executing agency:** IDB

**Beneficiaries:** Government and other decision makers/stakeholders in energy sector, environment, and socioeconomic development, including both public and private sector actors, throughout LAC

**Financing plan:** Financing provided by GER to IDB: EUR 1,000,000

Financing to be executed by GTZ EUR 1,600,000

<b>Dates:</b>	June 2005	Expected Inception
	June 2008	Expected Completion of work
	December 2008	Expected Completion of evaluation

NOTE: The reporting currency to be used by the IDB in this Program will be the US Dollars (\$).

*DRAFT – For Discussion.*

## **I. BACKGROUND AND RATIONALE FOR THE PROGRAM**

### **A. Motivations**

- 1.1 Increased use of cost-effective renewable energy (RE) and improvements in energy efficiency (EE) repeatedly have been demonstrated to be important components for achieving sustainable energy and overall development, in particular in Latin America and the Caribbean (LAC). Increased EE, where cost-effective, reduces costs of household and business energy consumption, and can also improve productivity and reduce environmental pollution. The use of RE is in many cases a cost-effective and developmentally beneficial alternative for increasing access to modern energy supply in rural areas which cannot be economically supplied by conventional energy systems. Grid-based hydro projects already have demonstrated their potential in many locations. Smaller scale grid connected RE (including biomass and wind) also can in some cases provide clean energy at comparatively favorable costs. Accordingly, successful increases in cost-effective and developmentally beneficial RE and EE offer one important avenue to sustainable growth and poverty alleviation as well as to environmental protection in the medium term.
- 1.2 Over the medium to longer term, there is need for continuing and expanding attention to RE and EE. While international efforts to curb carbon dioxide, methane, and other greenhouse gases (GHGs) are only just getting underway, and the Bank's beneficiary countries do not have any emission control obligations at this time, the accumulating scientific evidence of the longer-term threats of climate change make it increasingly likely that international GHG mitigation targets will grow more stringent over time. Increased attention to RE and EE in LAC provides both a means to respond to this challenge and the taking of an economic opportunity afforded by a potentially growing market for GHG "emission reduction credits" that is already underway. Aside from climate change, there may also be growing concern over time with the cost and stability of global petroleum resource supplies.
- 1.3 Renewable energy and increased energy efficiency offer diversification of options for the longer term development of the energy sector and for the costs of providing energy services. The Bank will continue to be involved in a number of energy related projects, including institutional strengthening as well as physical investments of different types and scales. Many larger scale energy related investments incorporate infrastructure components with long life times. Giving more intensive and early consideration to RE/EE components in the longer-term evolution and programming of the energy sector in borrowing countries is one part of larger effort toward providing a diversity of options for anticipating and meeting future needs.

## **B. Background**

- 1.4 Extensive prior sector and country studies, and numerous individual case histories, exist on the benefits and obstacles to increased use of RE and EE in LAC. Within the IDB, an important example of this sort of work is the Sustainable Markets for Sustainable Energy (SMSE) Program, which was initiated as a pilot in late 1996 and then entered a “mainstreaming phase” from 1998 through 2001. During its existence the SMSE Program developed several innovative projects in energy efficiency, non-conventional renewable energy, and clean urban transportation for the Bank. The program did not however lead to a sustained increase in these activities, and the lessons learned in carrying out the SMSE form an important backdrop to the preparation of this program.
- 1.5 One important lesson of SMSE was that operating divisions need expectations of a fairly high volume of sustainable energy projects that can be developed relatively quickly into investment projects in order for this business line to become a high priority. This has not yet occurred for several reasons. These include: (a) continuing gaps in policies and institutions of beneficiary countries to support a larger market in cost-effective and developmentally beneficial sustainable energy projects; (b) the continued relative immaturity of the sustainable energy industry itself, with many smaller and sometimes undercapitalized companies experiencing foster high turnover and limited ability to tailor products and services; and as a result, (c) a continuing paucity of good examples and business models. It follows that in the preparation of this program, emphasis is put on (i) strengthening capacities for overcoming economic and financial barriers to increased investment, as well as institutional and regulatory obstacles; and (ii) connecting information generation and dissemination activities of the program closely to the enhancement of a project pipeline.
- 1.6 Work by the World Bank and others has conclusively demonstrated that increased access to clean and sustainable energy services can have dramatic effects on economic and social development and poverty reduction. These actions only become more important in the context of efforts to accelerate sustainable economic growth through regional integration. In that context, the existence of geographic areas and subsectors that lag behind or are even left out of the push for accelerated growth due to the lack of adequate energy services represents lost opportunities, a drag on overall progress, and a source of increased inequality and social tensions.
- 1.7 Other diagnostics of the situation have been or are being carried out including the Energy and Environment Partnership with Central America, which describes an ongoing program of assessment, reduction of institutional and legal barriers, and demonstration project sponsorship involving the Government of Finland and the Comisión Centroamericana de Ambiente y Desarrollo (CCAD). The Comisión also has been involved with a variety of dialogue activities in the Region to promote increased understanding, notably the Componente Ambiental de la

Iniciativa Mesoamericana de Desarrollo Sostenible (IMDS) and the Iniciativa Energética Mesoamericana (IEM) del Plan Puebla Panamá (PPP).

- 1.8 With support from several European governments and the EU, the Renewable Energy and Energy Efficiency Partnership (REEEP) represents a coalition of governments, businesses and organizations committed to accelerating the development of renewable and energy efficiency systems, including in LAC, with emphasis on innovative financial mechanisms. The Global Village Energy Partnership (GVEP), with support from USAID, World Bank, and others, provides a network for information exchange and capacity building activities that includes Mexico, Central America and South America. The Global Environment Facility (GEF) likewise maintains an active portfolio of RE and EE in LAC as well as other regions, including projects on energy efficiency in the context of sustainable urban transport.
- 1.9 All of these diagnostic and project stimulation activities highlight absent or inadequate political and legal structures, regulatory distortions in the energy sector, lack of familiarity in many cases with smaller and more decentralised energy systems, other deficits in technical and economic knowledge, and inadequate financing mechanisms are among the most frequently cited obstacles to more extensive RE/EE. Increased technical capacity, institutional barrier reduction, and financial risk reduction all are identified as useful for increasing RE investment in particular.
- 1.10 To lower these barriers in turn often requires a range of more broadly targeted activities in the financial sector to strengthen its role in innovative energy investments, in addition to technical capacity building and institutional strengthening in the energy sector. More targeted activities can increase opportunities for socially and environmentally beneficial energy investment, especially in rural and low-income peri-urban areas, while also increasing the efficiency of resource allocation in energy and financial markets. Examples in addition to general improvements in small enterprise financing opportunities could include public-private partnerships incorporating targeted subsidization of energy access for under-served populations that can benefit from RE; and the linking of RE as well as EE investments to the fledgling market for greenhouse gas emission reduction credits under the Clean Development Mechanism.
- 1.11 Notwithstanding all of the prior work alluded to above, there remains, however, a lack of a systematic assessment of RE/EE experience in LAC particularly all its economic and financial dimensions. There remain as well further opportunities to more widely share knowledge of lessons learned and good practices for RE/EE decision-makers in the region. The ultimate aim would be to use this increased awareness to further the basic objective of benefitting the populations of LAC countries through increased RE/EE investments and other activities. Such a systematic effort in knowledge building, assessment, and dissemination would both provide more precise understanding of what additional beneficial RE and EE activities might be identified and executed in the region, and better understanding

of the various means to this end in order to guide an expanded pipeline of RE/EE projects.

### **C. Role of the Bank**

- 1.12 Advancing beneficial RE and EE opportunities is a key element in the Bank's Energy Strategy and Environment Strategy. The IDB has an important influence in the energy sector throughout LAC through its non-reimbursable technical assistance activities and lending in energy production and consumption sectors. Bank programs to advance RE/EE in LAC currently play a noticeable and growing role, especially in Central America and in the context of the Plan Puebla Panamá (PPP). The Bank currently is engaged in a number of technical assistance activities related to RE/EE supported by several donor funds including those of the Netherlands, Switzerland, Japan, and the United States. It also has ongoing public and private sector lending activities in RE in several locations throughout the Region, particularly hydro projects but including other technologies as well. Through the MIF, the Bank is especially active in enhancing energy efficiency and renewable energy opportunities for smaller enterprises and in demonstrating new and innovative financing mechanisms to these ends.
- 1.13 Given the role already being played by the Bank, accordingly, the benefits provided to the Bank's beneficiary countries by this proposed program should lead to increased demands by beneficiaries for RE/EE activities and expansion of financially sound project pipelines for the Bank. The increased demands by beneficiaries will be guided by the more systematic knowledge building, assessment, and dissemination activities envisaged in this program. By virtue of participating in this program as well as accessing its outputs, project specialists in the Bank would have increased capacities to provide benefits to borrower member countries through the promotion of developmentally effective and environmentally sustainable energy development in the Region.

### **D. Objective and Organization**

- 1.14 The overall objective of the proposed regional program is to support increased beneficial renewable energy (RE) and energy efficiency (EE) activities in the IDB beneficiary countries. This is to be accomplished through the development, assessment, and dissemination of knowledge and good practices information with and through both the IDB and relevant public and private sector institutions and actors as well as civil society in its beneficiary member countries. Activities to achieve the stated accomplishments would include studies that can support the identification, evaluation and preparation of specific potential additional RE and EE projects. Dissemination activities and training will take place both in the Region and within the Bank.
- 1.15 The proposed modality for carrying out these activities is a co-financing (cofab) agreement (the "Administrative Agreement," or "Agreement") between the IDB and Germany's technical assistance agency, *Deutsche Gesellschaft für Technische*

*Zusammenarbeit* (GTZ). Germany's development lending institution, *Kreditanstalt Für Wiederaufbau* (KfW), also is expected to contribute expertise and, as appropriate, support development of potential lending operations identified in the course of the program. The Agreement, described further below, will entail a jointly agreed and executed overall work program with financing provided to the Bank by Germany (GER) through GTZ, reflecting funds committed by the German Economic Cooperation and Development Ministry, *Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung* (BMZ). The Bank for its part will execute activities in the agreed IDB/GER work program with this financing and provide in-kind support itself for project design and supervision.

- 1.16 The Agreement draws its basis from two previous inter-institutional agreements between the IDB and the BMZ. The general importance of and modalities for this type of cooperative program were established in a *Memorandum of Understanding* signed in January 2002. The focus on the activities highlighted in this work program reflects the *Strategic Partnership Agreement for Cooperation on Renewable Energy Development* (SPA) signed in Bonn by the Bank and BMZ on the occasion of the conference "Renewables 2004" (June of that year; see <http://www.renewables2004.de/en/2004/default.asp>). Development of the idea for this program began at the Bonn meeting. The design and planned execution of the proposed program is firmly rooted in the provisions of the SPA, which calls for cooperation between Germany and the Bank in RE/EE through co-funding and co-managing of projects that include pooling of knowledge and expertise.

## **II. PROGRAM OBJECTIVES AND DESCRIPTION**

### **A. Overall Objectives**

- 2.1 The overall objective of the proposed regional program is to benefit the sustainable development of IDB beneficiary countries over the medium to longer term, through support to increased renewable energy (RE) and energy efficiency (EE) investment and other activities in those countries. The overall benefit of the program will be derived both from its favorable impacts on the evolution of the energy sector and on options for energy use, and from its longer term impacts on greenhouse gas emissions in the Region.

### **B. Plans for Program Execution**

- 2.2 The overall objective is to be accomplished first through the development, assessment, and dissemination of knowledge and good practices information with and through both the IDB and relevant public and private sector institutions and actors as well as civil society in its beneficiary member countries. As well, the program will provide various forms of support for more concrete project



identification and preliminary preparation activities, as guided by the lessons learned in the assessment phase and reflecting the priorities of the beneficiary countries. The program thus encompasses increased knowledge and project development capacities for Bank staff as well as benefits to the beneficiary countries. To that end in particular, the program will incorporate as needed participation and consultation with experts in the regional and other operational departments of the IDB. Including both the Private Sector Department of the Bank and private sector participants in the beneficiary countries will be an important part of developing operational approaches for identifying and implementing increased RE and EE projects.

- 2.3 The proposed term for the work program is three years from date of final approval and inception (2005-2008), with up to six additional months after conclusion of the work program for final disbursements and independent program evaluation. IDB's activities in the joint work plan will be supported by a contribution of EUR1,000,000 committed to IDB by GTZ, with funding that originates in BMZ. GTZ will, for its part, execute complementary activities in the agreed joint work plan with up to EUR1,600,000 provided to it by BMZ. The nature and division of these respective tasks is described below. The Contribution to IDB from GER will include provision for program administration, supervision, quality control, evaluation and contingencies costs indicated below in Annex C, and any other costs of administration and execution applicable, as agreed upon by GER and IDB.
- 2.4 SDS/ENV will have basic and technical responsibility for the administration of the IDB program, and through its Division Chief, will be responsible for the approval of activities within the scope of the IDB program and oversight of disbursements. To effectively coordinate the overall work plan as it evolves, including IDB and GER activities, an ad hoc *IDB/GER Coordination Committee* (CC) has been established. This committee is co-chaired by the Chief of SDS/ENV and the head of the project team from GTZ. The overall evolution of the activities by IDB and GER through the three years of operation of the program would be coordinated by the CC, which would include full participation by IDB, GTZ, and KfW technical staff, as needed. The CC will also advise in the technical review of specific activities submitted by IDB or GER proponents for inclusion within the program.
- 2.5 Overall Bank participation in the program would be coordinated by SDS/ENV, acting as the secretariat of the joint CC and leader of the Bank's team for the program. However, internal coordination within the Bank will include the entire IDB Team, incorporating as necessary specialists from throughout the IDB as well as representation of the IIC in the detailed planning and execution of the program. The IDB Team members will participate fully in internal deliberations and collaborative decision making with respect to the steering of the program, in order to ensure that specific activities are well targeted and executed, and consistent with the work plans of the respective departments and divisions. When specific activities within the work plan are further developed, in particular, any

potential commitments of IDB staff time and administrative expenditures would be subject to concurrence of the relevant division and department heads.

**C. Activities in the Work Plan of the Program**

- 2.6 The objective and aims of the co-financed program will be effectuated through a range of knowledge generation and dissemination activities as laid out in the table in Annex C below. This table also provides indicative information on the expected allocation of resources to the various tasks as well as the distribution of expenditures between the IDB and GER. These program components will be developed further through the course of the work plan using the procedures described above.
- 2.7 Part A of the work program entails several regional scale assessments. These include first some synthesis assessments to encompass and highlight the current state of knowledge regarding the challenges and opportunities of RE and EE activity in the region, and the lessons learned and good practices underscored via past experience and analyses. Another element is an initial scoping study of how strengthened consideration of RE/EE might be accomplished in a practical way in the Bank's various programming activities related to the energy sector, as well as in corresponding national level planning and assessment activities. The precise way in which these activities will be designed and implemented (issues, countries and activities to be emphasized), will be established in Terms of Reference to be finalized within 30 days after final approval of the Agreement between IDB and GER, and internal approval of this program plan.
- 2.8 Part B of the program consists of dissemination activities based on the abovementioned assessments. These will be designed so as to link to and comport with ongoing regional activities related to RE and EE, including (but not limited to) activities under the auspices of PPP. It is anticipated that the bulk of Parts A and B will be concluded within the first year of the program, though dissemination of written and internet based materials and work on issues related to sector and country programming approaches will continue through the subsequent two years.
- 2.9 Parts C and D of the work program, which will be carried out mainly in the second and third years of the program, move from overall assessment and "grounding" activities to activities more focused on specific sector capacities and opportunities. Part C includes several components related to regional networking of experts and institutions. Activity C-1 seeks to establish a regional scale consultation among technical experts in order to reap synergies and scale economies from the resulting exchange of information and ideas. Included in this exchange would be participation by, *inter alia*, CEPAL, OLADE, CCAD, and applied research centers and private sector actors in the region, as well as the GTZ country offices active in RE and EE.

- 2.10 Activities C-2 and C-3 would involve a regional policy dialogue on RE/EE issues and an identification of training needs and prospects for filling such needs. Activity C-4 would seek to begin delivering on some of these follow-on knowledge needs, including workshops in the Region and at the Bank. Activity C-5 would entail a pilot effort to implement lessons learned from Activity A-2 regarding sustainable energy in country and sector programming. Such pilots would of course be led by those operational staff in the Bank with responsibility for country and sector programming.
- 2.11 Activity C-6 takes as its point of departure the need to create or strengthen within the Region itself the availability of knowledge and expertise that can be mobilized for identification and evaluation of potential projects. This would be done through funding of “*Focal Points*” in the region. While the exact modalities for this remain to be established, the core idea is the hiring of consultants who can be placed in, e.g., GTZ Country Offices to serve as experts within a subregion to provide support to project development in the region through expert services in the early stages of project identification and evaluation. The experts also could maintain and continue at local level various dissemination and other outreach activities related to their mission.
- 2.12 Part D of the work program, the various parts of which would be led mainly by public and private sector project specialists in the Bank, focuses on more targeted efforts to identify and evaluate potential RE and EE project opportunities as initial steps in project preparation. These efforts also would involve extensive IDB/GER collaboration. In the first year of the work program, efforts in this category will focus mainly on opportunity identification. In that first year but to a greater extent in the second and third years, resources would be available for initial evaluation and other preparation activities (e.g. identification of key barriers to project success and options for alleviating them). These activities would be undertaken in a way that was consistent with existing country strategies and emergent opportunities identified in other public and private sector programming, as well as regional initiatives like PPP and IIRSA. Part D also would include a moderate component to continue Bank supported efforts already underway to mainstream “carbon finance” in Bank activities, in particular through the Clean Development Mechanism of the Kyoto Protocol.

**D. Expected Outputs, Outcomes, Benefits, and Sustainability**

- 2.13 The ultimate *beneficiary impacts* anticipated from the program are socioeconomic and environmental benefits from increased availability of clean and efficient energy services, the importance of which is underscored in the Bank’s Energy and Environment Strategies. These impacts will be difficult to evaluate during a three year program. *Intermediate impacts* are anticipated to be the improved knowledge and capacity of decision-makers from government, business and civil society in the beneficiary member countries to identify, assess, and where appropriate implement cost-effective and developmentally beneficial RE and EE investments, as well as supporting broader policy and institutional change. These

impacts can be assessed both directly (through surveys of stakeholders) and indirectly through various output or outcome measures

- 2.14 Final and intermediate impacts are usually difficult to evaluate during the course of a three year program. However, it is possible to define more measurable indirect measures of outcomes and outputs that can be used to evaluate the program. For example, the program is expected to result in an expanded portfolio of developmentally beneficial RE and EE activities by the Bank in response to requests from within the Region for such activities. The table that follows summarizes some key desired outcomes of the program and some related outcome and output indicators, as well as the key assumptions underlying the identification of these. These indicators can form the basis for developing a Terms of Reference for evaluation of the program. A combination of output assessment and direct surveying of participants and potential beneficiaries is envisaged for the evaluation.

DESIRED OUTCOME	INDICATORS
(1) Increased availability of knowledge, lessons learned, and good practices in developmentally effective RE and EE activities for the Region	<ul style="list-style-type: none"> <li>• Number of workshops held to disseminate findings in the region; number and diversity of attendees</li> <li>• Increased degree of ongoing participation by regional partners and the Bank in regional knowledge exchange on RE and EE</li> <li>• Expanded availability in the Region of knowledge resources and instruments: number of written program outputs, frequency of access via IDB Internet</li> </ul>
(2) Increased awareness of and interest in the sustainable development benefits of RE and EE in Bank beneficiary countries	<ul style="list-style-type: none"> <li>• Increased number of Bank programming documents with explicit reference to RE and EE potential and project options</li> <li>• Increase in national energy sector policy reforms that further enable developmentally effective RE and EE</li> <li>• Number of follow-on technical assistance activities requested for lowering barriers to RE and EE, including policy reform and strengthening of regulatory and financial institutions</li> </ul>
(3) Increased opportunities for developmentally beneficial RE and EE projects for inclusion in the IDB investment pipeline	<ul style="list-style-type: none"> <li>• Increased number of potential developmentally beneficial RE and EE projects that are identified in initial profiles or other project concept documents</li> <li>• Increased number of identified potential projects being developed by IDB</li> </ul>

- 2.15 The sustainability of the program's results and benefits depends fundamentally on its success in creating more awareness and capacity for an expanded portfolio of beneficial RE/EE activities, which will tend in turn to stimulate an interest in maintaining the knowledge base and capacities coming from the program. While the undertaking of regional consultations and the creating of the expert focal

points, for example, would be desirable to maintain past the term of the program, success of the program does not depend on sustaining of these or any other specific activities *per se*.

#### **E. Assumptions and Risks**

- 2.16 The program activities themselves are expected to be beneficial, both socio-economically and environmentally. Nor is it seen as likely that demands within the Bank's borrowing countries for assistance in RE and EE will substantially diminish in the next 3 years, particularly in light of the concerns about environment-development synergies reflected in the Millennium Development Goals and the firming up of international commitments to reduce CO2 emissions through, *inter alia*, the Clean Development Mechanism.
- 2.17 The challenges facing the program relate more to its somewhat novel and potentially innovative modalities of execution both within the Bank and through the partnership with Germany. Two key assumptions underlie the design of the program and will strongly affect its prospects for success. These are that (1) the goals and anticipated activities of the program reflect basic interests not just of SDS but of all the operating departments of the Bank Group involved with RE/EE; and (2) that through that shared set of interests will come a sharing of responsibilities for the more detailed design and oversight of the program and its components as appropriate during its three year duration. The creation and intended operation of the CC discussed previously, including extensive collaborative decision making on the execution of the program, seek to mitigate the challenges. As well, strong ties will be maintained with relevant organizations in the Region and in Washington to provide advice on the overall evolution of the program and the sharing of lessons.

### **III. ADDITIONAL FINANCIAL AND EXECUTION ISSUES**

#### **A. Sharing of management for specific components of the work plan**

- 3.1 As specific activities in the program turn more toward country level assessment and opportunity identification, it will also become increasingly important to have ongoing management and oversight of those component activities located in a more decentralized way so that they be conducted most effectively. It is therefore envisaged that based on the full concurrence and participation of both the relevant Bank Country Offices and corresponding Regional and other Operational Departments, responsibilities for these components would be allocated from SDS/ENV to those Bank units best able provide the necessary management and supervision. This allocation would be accomplished through internal

memorandums that would set out the specific objectives to be pursued in the project components and the tasks to be carried out, along with an agreed budget.

- 3.2 In the course of carrying out this program plan under the arrangements for shared access and responsibility for use of resources described above, it is expected that each of the various Bank units participating in the program will contribute its own in-kind professional staff resources to the execution of the program. These units also would share responsibility for providing resources for covering the costs of supervision mission travel and other similar expenses, as in other similar Bank undertakings. As in other such activities, of course, any such commitments of resources would be subject to Management approval within the relevant divisions and departments.

**B. Execution and disbursement schedule and special provisions**

- 3.3 Execution of the program would be governed by the provisions of the Agreement. The provisions of the Agreement would prevail in case of any conflict with the context of this document.

**Annex I: Details on Co-Financed IDB/GTZ Program on Renewable Energy and Energy Efficiency in LAC**

Activity	Resources Executed by IDB (000 EUR)					Resources Executed by GTZ (000 EUR)					Grand Total
	Yr1	Yr2	Yr3	Eval	Sum	Yr1	Yr2	Yr3	Sum		
<b>(A) Regional Strategic Assessment of Challenges, Opportunities, Lessons Learned, Good Practices</b>											
(A-1) Strategic assessments of RE and EE	120				120						120
(A-2) Methods for strengthening consideration of RE/EE in country, sector programming/country sector planning	25				25	25					50
<b>Sub-Total Category A</b>	<b>145</b>				<b>145</b>	<b>25</b>			<b>25</b>		<b>170</b>
<b>(B) Dissemination of Strategic Assessment Findings</b>											
(B-1) Preparation and distribution of publications						20	20	15	55		55
(B-2) Regional workshops to disseminate findings in beneficiary countries	45				45	15	5		20		65
(B-3) Seminars at IDB for sharing knowledge						15	5		20		20
<b>Sub-Total Category B</b>	<b>45</b>				<b>45</b>	<b>50</b>	<b>30</b>	<b>15</b>	<b>95</b>		<b>140</b>
<b>(C) Sector Level Strengthening Activities</b>											
(C-1) Set-up and operation of a regional RE/EE expert consultative network		25			25	25	10	10	45		70
(C-2) Set-up and operation of a regional platform for policy dialogues						30	30	30	90		90
(C-3) Identification of training needs and definition of training programs						30			30		30
(C-4) Follow-on training and capacity building, in region and at IDB		25			25	30	30	30	90		115
(C-5) Pilot application of concepts to increase RE/EE consideration in country programming (2 pilots)		70	70		140		35	35	70		210
(C-6) Support for in-country expertise and related RE/EE activities (regional focal points, consultants, local workshops and other events)		80	80		160	100	100	100	300		460
<b>Sub-Total Category C</b>		<b>200</b>	<b>150</b>		<b>350</b>	<b>215</b>	<b>205</b>	<b>205</b>	<b>625</b>		<b>975</b>

Activity	Resources Executed by IDB (000 EUR)					Executed by GTZ (000 EUR)			Grand Total	
	Yr1	Yr2	Yr3	Eval	Sum	Yr1	Yr2	Yr3		Sum
(D) Initial Activities Toward Potential Project Identification										
(D-1) Initial identification of potential RE and EE project opportunities	60				60	30			30	90
(D-2) Support for initial preparation activities	40	80	80		200	30	30	30	90	290
(D-3) Identification of additional carbon finance opportunities in the context of general project opportunity identification and promotion	40				40	25	25		50	95
Sub-Total Component D	140	80	80		300	85	55	30	170	470
GTZ costs, Management Coordination Committee for co-financed program (GTZ personnel, travel, other)						150	140	130	420	420
Evaluation of program outputs, outcomes, impacts				50	50					50
GTZ's own overhead and contingencies						90	90	90	270	270
IDB Cost Contingencies(*)	20	20	20		60					60
5% IDB fee for general costs of cofab administration	50				50					50
Sub-Total Program Administration et al.	70	20	20	50	160	240	230	220	690	850
Total Allocation of GER financing resources	400	300	250	50	1000	615	520	470	1605	2605

(\*) Includes resources needed to help defray out of pocket costs of the Bank for dissemination and supervision activities, and for support of in-house consultant services for support of further work plan design, implementation, and quality control.



**Annex C:**  
**BUDGET OF THE PROGRAM**  
**(Details on Co-Financed IDB/GTZ Program on Renewable Energy and Energy Efficiency in LAC)**

Activity (*)	Resources Executed by IDB (000 EUR)				
	Yr1	Yr2	Yr3	Eval	Sum
<b>(A) Regional Strategic Assessment (SA) of Challenges, Opportunities, Lessons Learned, Good Practices</b>					
(A-1) Strategic assessments of RE and EE	120				120
(A-2) Methods for strengthening consideration of RE/EE in country and sector programming/country sector planning	25				25
<b>Sub-Total Category A</b>	<b>145</b>				<b>145</b>
<b>(B) Dissemination of Strategic Assessment Findings</b>					
(B-1) Preparation and distribution of publications					
(B-2) Regional workshops to disseminate findings in beneficiary countries	45				45
(B-3) Seminars at IDB for sharing knowledge					
<b>Sub-Total Category B</b>	<b>45</b>				<b>45</b>
<b>(C) Sector Level Strengthening Activities</b>					
(C-1) Set-up and operation of a regional RE/EE expert consultative network		25			25
(C-2) Set-up and operation of a regional platform for policy dialogues					
(C-3) Identification of training needs and definition of training programs					
(C-4) Follow-on training and capacity building, in region and at IDB		25			25
(C-5) Pilot application of concepts for increased consideration of RE/EE in country programming (2 pilots)		70	70		140
(C-6) Support for in-country expertise and related RE/EE activities (regional focal points, consultants, local workshops and other events)		80	80		160
<b>Sub-Total Category C</b>		<b>200</b>	<b>150</b>		<b>350</b>

Activity (*)	Resources Executed by IDB (000 EUR)				
	Yr1	Yr2	Yr3	Eval	Sum
<b>(D) Initial Activities Toward Potential Project Identification</b>					
(D-1) Initial identification of potential RE and EE project opportunities	60				60
(D-2) Support for initial preparation activities	40	80	80		200
(D-3) Identification of additional carbon finance opportunities in the context of general project opportunity identification and promotion	40				40
<b>Sub-Total Component D</b>	<b>140</b>	<b>80</b>	<b>80</b>		<b>300</b>
GTZ costs, Management Coordination Committee for co-financed program (GTZ personnel, travel, other)					
Evaluation of program outputs, outcomes, impacts				50	50
GTZ's own overhead and contingencies					
IDB Cost Contingencies (**)	20	20	20		60
5% IDB fee for general costs of cofab administration	50				50
<b>Sub-Total Program Administration et al.</b>	<b>70</b>	<b>20</b>	<b>20</b>	<b>50</b>	<b>160</b>
<b>Total Allocation of GER financing resources</b>	<b>400</b>	<b>300</b>	<b>250</b>	<b>50</b>	<b>1000</b>

(\*) Activities listed in the table with no expenditure entries will be financed entirely by GTZ in the collaborative program.

(\*\*) Includes resources needed to help defray out of pocket costs of the Bank for dissemination and supervision activities, and for support of in-house consultant services for support of further work plan design, implementation, and quality control.

**Annex D:**  
**Schedule of Financial Requirements**

Activity (*) Year	Resources Executed by IDB (000 EUR)				
	2005	2006	2007	Eval 2008	Sum
<b>(A) Regional Strategic Assessment (SA) of Challenges, Opportunities, Lessons Learned, Good Practices</b>					
(A-1) Strategic assessments of RE and EE	120				120
(A-2) Methods for strengthening consideration of RE/EE in country and sector programming/country sector planning	25				25
<b>Sub-Total Category A</b>	<b>145</b>				<b>145</b>
<b>(B) Dissemination of Strategic Assessment Findings</b>					
(B-1) Preparation and distribution of publications					
(B-2) Regional workshops to disseminate findings in beneficiary countries	45				45
(B-3) Seminars at IDB for sharing knowledge					
<b>Sub-Total Category B</b>	<b>45</b>				<b>45</b>
<b>(C) Sector Level Strengthening Activities</b>					
(C-1) Set-up and operation of a regional RE/EE expert consultative network		25			25
(C-2) Set-up and operation of a regional platform for policy dialogues					
(C-3) Identification of training needs and definition of training programs					
(C-4) Follow-on training and capacity building, in region and at IDB		25			25
(C-5) Pilot application of concepts for increased consideration of RE/EE in country programming (2 pilots)		70	70		140
(C-6) Support for in-country expertise and related RE/EE activities (regional focal points, consultants, local workshops and other events)		80	80		160
<b>Sub-Total Category C</b>		<b>200</b>	<b>150</b>		<b>350</b>

Activity (*)	Resources Executed by IDB (000 EUR)				
	2005	2006	2007	Eval 2008	Sum
<b>(D) Initial Activities Toward Potential Project Identification</b>					
(D-1) Initial identification of potential RE and EE project opportunities	60				60
(D-2) Support for initial preparation activities	40	80	80		200
(D-3) Identification of additional carbon finance opportunities in the context of general project opportunity identification and promotion	40				40
<b>Sub-Total Component D</b>	<b>140</b>	<b>80</b>	<b>80</b>		<b>300</b>
GTZ costs, Management Coordination Committee for co-financed program (GTZ personnel, travel, other)					
Evaluation of program outputs, outcomes, impacts				50	50
GTZ's own overhead and contingencies					
IDB Cost Contingencies (**)	20	20	20		60
5% IDB fee for general costs of cofab administration	50				50
<b>Sub-Total Program Administration et al.</b>	<b>70</b>	<b>20</b>	<b>20</b>	<b>50</b>	<b>160</b>
<b>Total Allocation of GER financing resources</b>	<b>400</b>	<b>300</b>	<b>250</b>	<b>50</b>	<b>1000</b>

(\*) Activities listed in the table with no expenditure entries will be financed entirely by GTZ in the collaborative program.

(\*\*) Includes resources needed to help defray out of pocket costs of the Bank for dissemination and supervision activities, and for support of in-house consultant services for support of further work plan design, implementation, and quality control.

## **CALL FOR DISBURSEMENT**

### **The Recipient**

**Name:**

**Address:**

**e-Mail:**

**Invoice-No.:**

**To**  
**Deutsche Gesellschaft für Technische**  
**Zusammenarbeit (GTZ) GmbH**  
**Dag-Hammarskjöld-Weg 1-5**  
**65726 Eschborn**  
**Germany**

**Project Processing No.:**

**Contract No.:**

**Call for disbursement**  
**for the period from            to**

In accordance with the schedule of financial requirement (see article 3.1 of the contract),  
we request the transfer of

**Euro**

to the following special bank account:

**Account holder:**

**Name and place of Bank:**

**Account number:**

**Account currency:**

**Bankcode:**

**Swiftcode:**

**IBAN:**

**Correspondence Bank:**

*(for US \$ or Euro-payments - please contact your bank)*

Proof that a special bank account has been opened is enclosed/ has been submitted with the  
first call for disbursement (if requested according to article 3.2 of the Grant Agreement )

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*Date and signature of Recipient*