

ADMINISTRATION AGREEMENT

between

THE INTER-AMERICAN DEVELOPMENT BANK

and

**DEUTSCHE GESELLSCHAFT FÜR INTERNATIONALE
ZUSAMMENARBEIT (GIZ) GMBH**

regarding

**Project Specific Grant to the Inter-American Development Bank for Project
GU-T1264 titled “Efficient Use of Firewood and Alternative Fuels in
Indigenous and Rural Communities in Guatemala”**

**Contract no.: 81204586
Project no: 12.9097.2-005.00**

THIS ADMINISTRATION AGREEMENT (the “Administration Agreement”) is entered into between the Inter-American Development Bank (the “Bank” or the “IDB”) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH commissioned by the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) (the “GIZ” or the “Donor”) (hereinafter together referred to as the “Parties”).

WHEREAS, the IDB has designed the Project GU-T1264 titled “Efficient Use of Firewood and Alternative Fuels in Indigenous and Rural Communities in Guatemala” (the “Project”), as a Nationally Appropriate Mitigation Actions (NAMA) Support Project in the NAMA Facility (jointly established by Germany and Great Britain in 2012, Denmark and the European Commission joined in 2015), as described in the attached project document (the “Project Document”).

WHEREAS, the GIZ has agreed to support the execution of the Project by providing a project specific grant to be administered by the IDB; and

WHEREAS, the IDB is prepared to receive and administer the contribution funds to be made available by the GIZ.

NOW, THEREFORE, the Parties hereby agree as follows:

1. The GIZ will make available to the IDB a grant contribution in the amount of four hundred thousand euros (EUR400,000.00) (the “Contribution”) to be administered by the IDB to finance the Project.
2. The Contribution will be solely for the purposes indicated in the Project Document. Any material deviations from the objectives and activities of the Project described in the Project Document will require the GIZ’s written approval.
3. Following the signature of this Administration Agreement by the Parties, the GIZ will transfer the Contribution to the IDB in one single installment, upon the IDB’s written request, to an account indicated by the IDB in writing. Upon receipt of such deposit, the IDB will convert the euros into United States dollars and will deposit the resulting amount (subject to the exchange rate prevailing at the time of conversion) into an account denominated in U.S. dollars (the “Account”). The Account includes resources provided as grant funds by other donors for other IDB projects. The Contribution will be administered in the Account without distinction from other donors’ contributions.
4. The IDB will administer the Contribution in accordance with the provisions of this Administration Agreement and the IDB’s applicable policies and procedures. The IDB will exercise the same care in the discharge of its functions, as described in this Administration Agreement, as it exercises with respect to the administration and management of resources from other donors, and will have no further liability to the GIZ in respect thereof.
5. In accordance with the applicable IDB policies and procedures, the Contribution resources may also support technical cooperation operations executed by IDB staff members, by

financing their costs of delivering Project-financed technical cooperation operations (including salaries, benefits, travel and overhead costs). For the avoidance of doubt, the Contribution resources may not supplement the budget of an IDB department or division for routine or customary activities.

6. The Contribution will be accounted for separately from the IDB's assets, and will be administered together with other contributions received by the IDB. The IDB may freely exchange the Contribution funds into other currencies as may facilitate their administration and disbursement. The IDB will not be responsible for foreign exchange risk in the receipt, conversion or administration of Contribution funds. Further, the IDB may at its discretion invest and reinvest the resources of the Contribution pending their disbursement in connection with the Project. Subject to Section 7.(b) below, any income resulting from the investments or reinvestments of the resources of the Contribution will be transferred to the Account, in accordance with IDB's policies and procedures.
7. To assist in the defrayment of the administrative costs in relation to the Contribution, the IDB will charge and retain (a) a fee equal to five percent (5%) of the total Contribution amount at the time the Contribution is deposited by the Donor into the account indicated by the Bank in writing; and (b) any investment income generated by the Contribution pending its disbursement towards the Project.
8. The IDB's procurement policies and procedures will be applicable to the procurement of goods and services, as well as the contracting of consulting services, carried out with the Contribution, as required by the different components of the Project. Further, the Donor accepts that (a) the resources of the Contribution will be completely untied; and (b) the consultancy services financed with the Contribution may be provided and executed by companies, specialized institutions or individuals from any IDB member country.
9. The GIZ will not be responsible for the activities of any person or third-party engaged by the IDB as a result of this Administration Agreement, nor will the GIZ be liable for any costs incurred by the IDB in terminating the engagement of any such person.
10. Promptly following the completion of the Project, the IDB will submit to the GIZ a final Project report. The GIZ may also request a non-audited financial expense report of the Contribution. In addition, the GIZ may request an "agreed upon procedures" report issued by an external auditor selected by the IDB on the use of the Contribution resources. The cost of such auditor's report will be borne by the GIZ and will not be deducted from the Contribution. The GIZ will reimburse the IDB for the cost of this report promptly after receiving a written request from the IDB. The IDB will not provide audited financial statements for the Account.
11. As soon as possible upon completion of the Project, the IDB will return to the GIZ any remaining uncommitted Contribution funds, unless otherwise agreed to in writing by the Parties.

12. The GIZ acknowledges that the IDB's commitment to use the Contribution as contemplated herein will be subject to the IDB's formalization of all internal approvals necessary for the Project and/or the Project Document.
13. The offices responsible for coordination of all matters and receiving any notice or request in writing in connection with this Administration Agreement or the Project are as follow:

(a) For the IDB:

- i. All communications pertaining to donor relations and resource mobilization will be directed to:

Inter-American Development Bank
1300 New York Avenue, NW
Washington, D.C. 20577
UNITED STATES OF AMERICA
Attention: Manager, Office of Outreach and Partnerships
Tel.: +1 (202) 623-1583
Fax: +1 (202) 623-2543
E-mail: partnerships@iadb.org

- ii. Day-to-day communications regarding the management of the Contribution and the implementation of this Administration Agreement will be directed to:

Inter-American Development Bank
1300 New York Avenue, NW
Washington, D.C. 20577
UNITED STATES OF AMERICA
Attention: Chief, Grants and Co-financing Management Unit
Office of Outreach and Partnerships
Tel.: +1 (202) 623-2018
Fax: +1 (202) 623-3171
E-mail: orp-gcm@iadb.org

(b) For the GIZ:

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Friedrich-Ebert-Allee 40
53113 Bonn
GERMANY
Attention: Christian Jahn, MR.
Tel.: +49 228 4460 1160
E-mail: christian.jahn@giz.de

14. This Administration Agreement will come into force on the date of its signature by each of the Parties and will be valid for 18 months.
15. The Parties may amend any provision of this Administration Agreement in writing.
16. Subject to their respective policies and procedures with respect to the disclosure of information, the Parties may make this Administration Agreement publicly available.
17. Nothing in this Administration Agreement may be construed as creating an agency relationship between the Parties.
18. The Parties will seek to settle amicably any disputes that may arise from or relate to this Administration Agreement.

IN WITNESS WHEREOF, the Inter-American Development Bank and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, each acting through its duly authorized representative, have signed this Administration Agreement in the English language as of the dates indicated below.

**INTER-AMERICAN
DEVELOPMENT BANK**


for Bernardo Guillamon

Manager

Office of Outreach and Partnerships

Date: Dec. 23, 2016


**DEUTSCHE GESELLSCHAFT FÜR INTERNATIONALE
ZUSAMMENARBEIT (GIZ) GMBH**


Wiebke Ottenbreit - Wiebke Kietzschmann

Team Leader

Contract Management Department

Date: 3/2/2017



Sebastian Hähndel

Team Leader

Contract Management Department

Date: 3/2/2017

Technical Cooperation Document

I. BASIC INFORMATION

Country/Region:	Guatemala / CID
TC Name:	Technical proposal for the Efficient Use of Firewood and Alternative Fuels in Indigenous and Rural Communities in Guatemala
TC Number:	GU-T1264
Team Leader/Members:	Javier Cuervo (INE/ENE, Team Leader); Omar Samayoa (CCS/CGU, Alternate Team Leader); Gloria Visconti (CCS/CDS); Aymé Sosa (CCS/CGU); Filippo Berardi (CSD/CCS); Mónica Centeno Lappas (LEG/SGO); Luis Mejia (MIF/CGU); Hugo Us (GDI/CGU); Rodrigo Castro (FMP/CGU); Lilena Martínez (FMP/CGU); Claudia Oglialoro (ORP/GCM); Rodrigo Aragon (INE/ENE); Stephanie Suber (INE/ENE); and Marina Massini (INE/ENE).
Taxonomy:	Operational Support (GU-G1004)
Authorization TC abstract date:	Does not apply ¹
Beneficiary:	Republic of Guatemala-PRONACOM
Executing Agency and contact name:	Inter-American Development Bank (IDB) Javier Cuervo javiercu@iadb.org Omar Samayoa omars@iadb.org
Donors providing funding:	Deutsche Gesellschaft Für Internationale Zusammenarbeit (GIZ) as administrator of the NAMA Facility.
IDB Funding Request:	US\$420,000 equivalent from NAMA Facility ²
Disbursement period (which includes execution period):	18 months
Required start date:	January 15 th 2017
Types of consultants (firm or individual consultants):	Firms and individual consultants
Prepared by Unit:	INE/ENE and CSD/CCS
Unit of Disbursement Responsibility:	CID/CGU
Included in Country Strategy:	Yes
TC included in CPD:	No
GCI-9³ Sector Priority:	Protect the environment, respond to climate change, promote renewable energy, and ensure food security.

¹ The Guidelines for Project Specific Grants (July 2015) indicate that for a TC project the abstract is not needed and the projects team shall prepare only a TC Document.

² NAMA Facility expects to commit €400,000, which is equivalent to US\$420,000, based on the exchange rate 0.95€/€ as of November 23rd, 2016. These funds will be administered by the IDB through a project-specific grant (PSG). This PSG will be administered by the IDB pursuant to document SC-114. In accordance with that document, the commitment of NAMA Facility for the PSG will be established through a separate Administrative Agreement

³ Ninth General Capital Increase

II. OBJECTIVE AND JUSTIFICATION

- 2.1 **Objective.** Support the preparation of the project document of the investment grant “Efficient Use of Firewood and Alternative Fuels in Indigenous and Rural Communities in Guatemala” (GU-G1004) that will be submitted to the National Appropriate Mitigation Action (NAMA) Facility.⁴
- 2.2 The investment grant to be submitted by the Government of Guatemala to the NAMA Facility amounts to €11million and has two specific components: (i) a technical component for public awareness, institutional strengthening, implementation of a pilot program, regulatory improvements and monitoring and evaluation; and (ii) a financial component for the development of financial products to strengthen supply such as the expansion of production capacity of clean cook stoves and to consolidate demand with solutions such as credits for consumers with high purchasing power and microcredits for users with lower purchasing power.⁵ This investment grant aims to reduce the use of firewood and its impacts on forest degradation as well as the health of rural families in the project area.⁶
- 2.3 **Justification.** According to the National Strategic Plan for the Sustainable Use of Firewood, in Guatemala, 57% of total energy consumption corresponds to the use of firewood, mainly for cooking.⁷ About 2.1 million households use firewood, mostly located in the poorest and most vulnerable municipalities. There is a 10.02 million m³ deficit in dry firewood,⁸ which represents the equivalent of an approximate 17.4 million tons of carbon dioxide equivalent per year (tCO₂e/year) of greenhouse gases (GHG) emissions.⁹ The same plan indicates that 64% of the population relies on firewood as an energy source and are at high risk of cardiac and respiratory diseases, mostly children and women, deriving in losses equivalent to one percent of the GDP and more than 5,000 deaths per year. According to population growth statistics for the next ten years, it is estimated that there will be an average increase of 65,000 new families per year that will use firewood as their main source of energy, which exacerbates the problem.¹⁰
- 2.4 In search of a solution to the problem led the Government to include sustainable firewood as a central element in Guatemala's Energy Policy 2013-2027¹¹ and to

⁴ The NAMA Facility is a climate finance mechanism for National Appropriate Mitigation Actions (NAMA) established by the governments of Germany, United Kingdom and Denmark, and the European Union. The facility supports developing countries to implement concrete and innovative actions to catalyze a transformational change for low-emission development.

⁵ The expected date for the submission of the NAMA proposal is Q3/2017

⁶ The project area are the four departments with highest firewood deficit in Guatemala

⁷ “Plan Estratégico Nacional para el Uso Sostenible de la Leña” (Noviembre 2013) - https://issuu.com/mem_gt/docs/plan_estrategico_nacional_para_el

⁸ Dry-wood deficit refers to the difference between firewood collected and forest wood providing growth

⁹ National Strategy for Sustainable Production and Efficient Use of Firewood 2013-2024 <http://www.usaid-cncg.org/wp-content/uploads/2015/07/Estrategia-produccion-y-uso-le%C3%B1a-v6.pdf>

¹⁰ Country Action Plan for Clean Cookstoves and Clean Technology. Global Alliance for Clean Cookstoves: Page 15 <http://www.mem.gob.gt/wp-content/uploads/2015/07/Plan-de-Accion-de-Guatemala-Principal-.pdf>

¹¹ Energy Policy 2013-2027 http://www.segeplan.gob.gt/downloads/clearinghouse/politicas_publicas/Energ%C3%ADa%20y%20Minas/PE2013-2027.pdf

formulate the National Strategic Plan for the Sustainable Use of Firewood.¹² To help implement the plan and in line with the Energy Policy¹³, the Economy Policy 2016-2020¹⁴, the National Competitiveness Agenda 2012-2021¹⁵, the National Action Plan for Adaptation and Mitigation of Climate Change¹⁶ and the National Development Plan “*Nuestra Guatemala Katún 2032*”¹⁷; the Ministry of Economy through the National Program for Competitiveness (PRONACOM), submitted, in coordination with the IDB as a Delivery Organization,¹⁸ a National Appropriate Mitigation Action (NAMA) investment grant proposal for the efficient use of firewood. The proposal was pre-approved by the NAMA Facility to be executed by PRONACOM. The TC responds specifically to strategic lines of the National Strategic Plan for the Sustainable Use of Firewood: “Promotion of efficient fuelwood consumptions technologies” and “Promotion of uses of alternative sources”; and also of the National Strategy for Sustainable Production and Efficient Use of Firewood: “Firewood efficiency systems” and “Education and rural extension”.

- 2.5 To access the NAMA grant, the country has to prepare a project document in accordance to the NAMA Facility requirements. To support such endeavor, the NAMA Facility has allocated additional funds of EUR €400,000 for the full design of both the technical and financial components of the investment grant. The proposed TC describes the use of those resources.
- 2.6 **Alignment with sectoral priorities.** The TC is consistent with the Updated Institutional Strategy (UIS) 2010-2020 (AB-3008) and is strategically aligned with the development challenge(s) and objectives, through enabling conditions, of: (i) develop quality human capital through better health; (ii) establish smart institutional frameworks through support of deep financial markets and public-private partnerships; and (iii) provide adequate knowledge and innovation ecosystems to facilitate the use of technology to sustainably seize the Region's natural resource endowment. It also addresses two of the cross-cutting issues: gender equality and diversity, and economic and social impacts of climate change adaptation and mitigation. The TC is also aligned with the Country Strategy 2012-2016 (GN-2689) in the Rural Development axis in target areas of productive development and health, and opportunities within the Bank's private sector windows specifically in renewable energy sources; as well as the cross-cutting issues of climate change adaptation and mitigation, natural disaster impact mitigation, gender, indigenous peoples and regional integration. The

¹² The plan is the government document that describes the actions needed to achieve the goals of the energy policy and the strategy for sustainable use of firewood.

¹³ One of the five axes of the Energy Policy establishes goals for efficient use of firewood

¹⁴ Economy Policy 2016-2020 which proposes economic, social and environmental sustainability: http://www.mineco.gob.gt/sites/default/files/politica_economica_2016-2021.pdf

¹⁵ National Competitiveness Agenda 2012-2021 through cross-cutting pillars of social and environmental sustainability: http://www.segeplan.gob.gt/downloads/clearinghouse/politicas_publicas/varias/Agenda_Nacional_de_Competitividad.pdf

¹⁶ Plan de Acción Nacional de Adaptación y Mitigación al Cambio Climático <http://www.segeplan.gob.gt/nportal/index.php/biblioteca-documental/biblioteca-documentos/category/97-plan-de-accion-nacional-de-cambio-climatico>

¹⁷ Plan Nacional de Desarrollo Nuestra Guatemala Katún 2032 http://www.katunguatemala2032.com/nportal/index.php?option=com_phocadownload&view=category&id=1

¹⁸ Delivery Organizations act as a trustee of the NAMA Facility. The Government of Guatemala requested IDB to be the Delivery Organization for this NAMA proposal, for both Financial and Technical Components.

proposed TC further complements the Bank's efforts on climate change, such as the work done under the operation ATN/FP-14012-GU to prepare the National REDD+ Strategy; ATN/SX-15570-GU - the Forest Investment Program; and which complement activities aimed at the sustainable firewood production and reduce forest degradation. Likewise, the operation focuses on supporting the country in implementing its Nationally Determined Contributions (NDC) under the United Nations Framework Convention on Climate Change, which emphasizes the reduction and efficient use of firewood through the implementation of the National Strategy for Sustainable and Efficient Use of firewood as a key activity for the achievement of mitigation goals (reducing emissions of greenhouse gases).¹⁹

III. DESCRIPTION OF COMPONENTS AND BUDGET

A. Component 1. Support to the design of the Financial Component of the investment grant proposal.

- 3.1 This component will support the development of financial instruments such as credits, guarantee funds and/or revolving fund that will be assessed and developed to ensure that adequate and tailored solutions are available for two different target groups: lower purchasing power (families mainly in conditions of extreme poverty mostly in rural areas) and slightly higher purchasing power (families mainly in poverty conditions in rural or peri-urban areas that may be subject to credit). At least three financial instruments will be the outcome of this component.
- 3.2 The availability of affordable credit with adequate terms and conditions, for the different segments of the population, will facilitate the implementation and adoption of clean and efficient cooking technologies, and incentivize microfinance institutions (MIFs) and local financial institutions (LFIs) participation in the clean cook stove market. MIFs have confirmed the interest of deepening this market; they have done pilot tests to finance saving stoves, but it is not something that is mass. Available financial products are not specific to this market, and are still perceived with a certain level of risk. All these barriers will be addressed by the project, through specific financial products, as well as a guarantee fund that covers the risk, which is expected to increase the coverage of this market. This technology is based on the use of kitchens with a more efficient combustion design that can reduce the use of biomass (firewood or other) by 40-60%. Currently in Guatemala, at least 15 models of improved stoves are produced and distributed through the Cluster of Improved Stoves, NGOs, municipalities and public sector entities; it is estimated that annually produce about 5,000 stoves a year through at least 10 manufacturers, who have installed capacity for about 30,000 per year if it provides them with credit assistance. This type of technology is used in most countries with biomass consumption and there is now a global interest to make massive the use of this technology not only for

¹⁹ INDC of Guatemala:
<http://www4.unfccc.int/submissions/INDC/Published%20Documents/Guatemala/1/Gobierno%20de%20Guatemala%20INDC-UNFCCC%20Sept%202015.pdf>

environmental and social impact but also for global greenhouse gas emissions (this sub-sector represents 2% of global emissions²⁰).

- 3.3 This component will also support the establishment of a revolving fund for MIFs that will be articulated with a national revolving fund mechanism (managed by the Ministry of Economy). Also part of this component is the establishment of a guarantee fund to ensure the participation of MIFs and LFIs and enhance the pricing for beneficiaries will be assessed as well. In addition, a financial mechanism to provide financing to technology providers will be identified and/or designed. Finally, a strategy to use the flow of remittances will be defined and linked to the other financial instruments.
- 3.4 The procedures to articulate the different financial mechanisms with the NAMA Support Project (NSP) financial resources will be embedded in existing private and public platforms.

B. Component 2. Support to the design of Technical Component of the investment grant proposal.

- 3.5 This component will support the activities and studies needed for the design of the technical component of the investment grant proposal. In particular:
- a. A market analysis including a current demand and supply analysis for firewood and clean cook stoves, the availability of improved cook stoves throughout the region, consumer appreciation reports regarding clean cook stoves and biogas systems (cultural, financial and technical issues for clean cook stove adoption), microfinance based options, an intervention plan and an economic analysis, including both a cost-benefit and a cost-effectiveness analysis of the proposed interventions.
 - b. This component also includes participatory and socialization processes with stakeholders (Firewood Commission, municipalities, MIFs, LFIs, government entities, etc.) within existing governance platforms.
 - c. An initial System for Monitoring, Reporting and Verification (MRV) based on the Gold Standard Methodology: "Technologies and Practices to Displace Decentralized Thermal Energy Consumption" Version 2.0²¹, will be designed to account for the greenhouse gases (GHG) emission reductions of the project and the ex-ante GHG emission reduction assessment will be refined.
 - d. An Environmental and Social Impact Assessment in line with the NAMA Facility and the IDB requirements (including a gender assessment for the project).
 - e. The establishment of parameters to ensure a quality and performance standards for the technologies that will be included in the NSP. The parameters include cultural acceptance, efficiency, security, health impact,

²⁰ Study Linkages between REDD+ and Clean Cookstoves <http://cleancookstoves.org/resources/346.html>

²¹ The GSM is the only existing current methodology for the monitoring of emissions emanating from this type of technology under the REDD+ international agreements. A firm with experience in this methodology will be hired to develop its application to the MRV system.

cost, etc. Initial tests will be performed on available cook stove technologies to assess their performance and adequacy.

- f. A detailed analysis of synergies/duplications/lessons learned/cooperation with other relevant support programs related to avoid duplication and to explore the potential for financial leverage and to effectively coordinate this project's activities with the NAMA's objectives.
- g. An expert will be hired for the preparation of the Project Document and annexes under the NAMA Facility requirements annexes (for both FC and TC components), to ensure a high quality of the project documents to be submitted to the NAMA Facility board for its approval. The Project Document will include the information generated from the specific studies described above, according to the format of the NAMA Facility.
- h. The strengthening of PRONACOM's institutional capacities for the adequate completion of all tasks related to the appraisal phase for the NAMA Facility.

Table 1. Indicative Results table

OUTCOME					
Project Document developed through a participatory process to access the implementation of the total grant of US\$13.3Million (EUR11 Million)					
OUTPUTS					
Objetive/Results	Products	Unit of measurement	Baseline	Goal 2018	Sources of Verification
Component 1. Support to the design of the Financial Component of the investment grant proposal					
▪ Financial instruments	At least three financial instruments designed	Document	0	3	Consulting report approved by PRONACOM
▪ Financing Mechanism	Structured financing of the NAMA for the efficient use of structured firewood	Document	0	1	
Component 2. Support to the design of Technical Component of the investment grant proposal					
▪ Market analysis	Market analysis elaborated	Studies	0	1	Consulting report approved by PRONACOM
▪ Monitoring, reporting and verification system	Initial system for monitoring, reporting and verification designed	Study	0	1	Initial MRV system descriptive manual approved by PRONACOM
▪ Environmental and Social Impact Assessment	Environmental and Social Impact Assessment elaborated	Evaluation	0	1	Consulting report approved by PRONACOM
▪ Clean cookstoves tests	Technologies tested	# of technologies	0	5	Tests reports approved by PRONACOM
▪ Clean cookstoves performance parameters	Defined clean cookstoves performance parameters	# of parameters	0	3	Descriptive report of performance parameters approved by PRONACOM
▪ Analysis of synergies/duplications/lessons learned/cooperation with other relevant support programmes in Guatemala	Study of the analysis of synergies/duplications/lessons learnt/cooperation with other relevant support programmes in Guatemala elaborated	Study	0	1	Study approved by PRONACOM

Table 2. Indicative Budget (US\$)

Component	IDB Funding	Counterpart	Total
Component 1: Support to the design of the Financial Component of the investment grant proposal	98,200	0.00	98,200
Component 2: Support to the design of Technical Component of the investment grant proposal	224,000	0.00	224,000
Administration and monitoring	76,800	0.00	76,800
IDB 5% fee	21,000	0.00	21,000
TOTAL	420,000	0.00	420,000

- 3.6 NAMA Facility expects to commit €400,000 to this project, which is equivalent to US\$420,000, based on the exchange rate 0.95 €/€ as of November 23rd, 2016. Final resources in US\$ will be dependent on the exchange rate of the date when the resources are received by the Bank in EUR from the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), administrator of the NAMA Facility. If a significant adverse movement in exchange rates reduces the amount of US dollars contemplated in this budget from NAMA Facility and such amount cannot be covered by the contingency line item, the activities contemplated in the project will be decreased appropriately and the budget will be adjusted accordingly by the project team.
- 3.7 The resources of this project to be received from GIZ will be provided to the Bank through a Project Specific Grant (PSG). A PSG is administered by the Bank according to the "Report on COFABS, Ad-Hocs and CLFGS and a Proposal to Unify Them as Project Specific Grants (PSGs)" (Document SC-114). As contemplated in these procedures, the commitment from GIZ will be established through a separate administrative arrangement. Under such arrangement, the resources for this project will be administered by the Bank and the Bank will charge an administrative fee of 5% of the contribution, which is duly identified in the budget of this project. The 5% administrative fee will be charged after the contribution had been received and converted into US dollars.

IV. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 4.1 The Government of Guatemala has requested the IDB to be the executing agency of the working in coordination with the Beneficiary (PRONACOM), due to its role as a Delivery Organization for this NAMA and who has also been accompanying the process of elaborating the concept presented to the NAMA Facility. This will allow to carry out an agile process which will allow to finish the project document of the investment grant within the anticipated term (see Annex I). The Bank will share its expertise in regards to the preparation of specialized terms of references, and technical oversee of the consultancies and the review of the expected deliverables. PRONACOM has experience in the activities and sector of the TC; it has led the preparation of the National Action Plan for Clean

Cookstoves and Fuels,²² and is a member of the Inter-Agency Firewood Commission. Also, the TC and investment grant respond to the cross-cutting pillars of the National Competitiveness Agenda (social and environmental sustainability) and the Economic Policy which proposes economic, social and environmental sustainability.

- 4.2 The IDB will perform the selection and hiring of consultancy and non-consultancy services following standard Bank policies and procedures; for two consultancies, initial tests for clean cook technologies and the market analysis (consultancies number 4 and 8 of the Procurement Plan, see Annex III), the Direct Selection modality has been chosen as provided by Policy GN-2350-9, p.3.9 and 3.10 (a) and (b), and is justified as being a sole supplier of the services provided, low amount and a natural continuation of the study and with greater level of detail in the project area. The technical responsibility for the execution of the TC will rest in the Energy Division with Javier Cuervo (INE/ENE) as Project Team Leader and the Climate Change Division, under Omar Samayoa (CCS/CGU) as Alternate Team Leader, responsible for the cross-cutting of climate change. The Bank's Country Office of Guatemala will provide operational and fiduciary support. The operation will have a coordinator to support the day to day execution of the TC, including management of administrative processes, preparation of terms of reference, supporting documentation for procurement, review of consultants' reports, organization of workshops with stakeholders, etc. IDB's personnel travels will be also funded by this TC.
- 4.3 The project team will be responsible for the preparation and submission of the project reporting to the donor, in compliance with the stipulation of the Administration Agreement.
- 4.4 If at the end of project execution the project were to close with a positive uncommitted and unspent balance, the project team will be responsible for informing ORP/GCM to transfer the unspent balance as agreed to by the donor and the Bank pursuant to the terms of the PSG Administration Agreement.²³

V. PROJECT RISKS AND ISSUES

- 5.1 The following risks have been identified: (i) lack of involvement by key project stakeholders, this risk will be mitigated through socialization and consultation activities with multiple stakeholders (municipalities, microfinance institutions, etc.); (ii) difficulties in the definition of the target groups and territories, this risk will be mitigated through a market study and economic analysis to fully understand the geographical distribution of the relevant population and market segments; (iii) low levels of demand/interest and/or rejection of beneficiaries of rural/indigenous communities to the program, mainly due to the ignorance of the technology to be promoted; these risks will be mitigated through a market analysis to identify where there is greater demand for the technology which will also include elements of cultural relevance in order to know the models that are

²² National Action Plan for Clean Cookstoves and Fuels http://cleancookstoves.org/resources_files/guatemala-plan-de-accion.pdf

²³ All PSG Administration Agreements include provisions for the use of any unspent balances.

most accepted by the beneficiaries; (iv) credit risks related to the population where the new credit and microcredit portfolio is expected to be placed; this risk will be mitigated through the design of specific financial products that will be developed to respond to the characteristics of the target group (ability to pay, etc.) and a guarantee fund; and (v) rotation of staff in PRONACOM, which has an impact on the expected execution rates. PRONACOM is an entity that has a governance structure with public and private sector participation, has an Executive Directorate that operates autonomously, as well as the personnel that it hires; therefore, the risk of staff rotation is low. In addition, the operation will have a team of consultants hired specifically to support the execution of the TC.

VI. EXCEPTIONS TO BANK POLICY

- 6.1 There are no exceptions to Bank policy.

VII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 7.1 By its specific operational inputs, it is deemed that this TC does not require any special measures to comply with environmental conservation and safeguards criteria. This operation is considered to be of low risk regarding environmental and social impacts. On this basis, a "C " Category is proposed in the Safeguard Filters.

ANNEXES

- Annex I : Letter of Request
- Annex II : Terms of Reference
- Annex III : Procurement Plan

Approved:

Date:

Ariel Yopez-García
Division Chief, INE/ENE