

**EUROPEAN UNION CONTRIBUTION AGREEMENT
WITH AN INTERNATIONAL ORGANISATION**

Identification number of the contribution agreement: FED/2013/ 332-803

(the "Agreement")

The European Union, represented by the European Commission, (the "Contracting Authority")

of the one part,

and

The Inter-American Development Bank with its Head office at 1300 New York Avenue, NW, Washington, D.C., 20577, (the "Organisation")

of the other part,

(Individually a "Party" and collectively the "Parties"), have agreed as follows:

Special Conditions

Article 1 - Purpose

- 1(1) The purpose of this Agreement is a contribution by the Contracting Authority for the implementation of the action entitled: "PUBLIC SECTOR SMART ENERGY PROGRAM (BARBADOS)" (the "Action") as described in Annex I.
- 1(2) The Organisation will be awarded the contribution on the terms and conditions set out in this Agreement, which complies with the provisions of the Framework Agreement between the European Commission and the Inter-American Development Bank, dated July 19, 2011(the "Framework Agreement") and consists of these special conditions (the "Special Conditions") and their annexes.
- 1(3) The Organisation accepts the contribution and undertakes to do everything in its power to implement the Action under its own responsibility.
- 1(4) The Action is a Joint Management Action for all purposes of this Agreement.

Article 2 – Entry into force, Implementation Period and Execution Period

- 2(1) This Agreement shall enter into force on the date when the last of the two Parties signs.
- 2(2) The implementation period of this Agreement (the "Implementation Period") will begin on the day following that on which the last of the two Parties signs.
- 2(3) The Implementation Period, as laid down in Annex I, is 60 months.
- 2(4) The execution period of this Agreement shall start at the entry into force of this Agreement as provided for in Article 2(1) and shall end at the moment when final payment is paid by the Contracting Authority in accordance with Article 17 of Annex II or when the Organisation repays any amounts paid in excess of the final amount due pursuant to Article 18 of Annex II. In cases where there is no final payment by the Contracting Authority or final repayment by the Organisation, the end of the execution period shall be the end date referred to in Article 12.5 of Annex II.
- 2(5) The terms of Article 11.2 of Annex II do not apply.

Article 3 - Financing the Action

- 3(1) The total cost of the Action eligible for financing by the Contracting Authority is estimated at US\$ 17,000,000 and EUR 5,810,000, as set out in Annex III.
- 3(2) The Contracting Authority undertakes to finance a maximum of EUR 5,810,000.00 out of the European Development Fund; the final amount will be established in accordance with Articles 14 and 17 of Annex II.
- 3(3) Pursuant to Article 14.4 of Annex II, 5.263 % of the final amount of direct eligible costs of the Action to be reimbursed by the Contracting Authority to the Organisation in accordance with Articles 14 and 17 of Annex II, may be claimed by the Organisation as indirect costs. This amount is estimated at EUR 290,500.00.

Article 4 - Narrative and financial reporting and payment arrangements

- 4(1) Narrative and financial reports shall be produced in support of payment requests, in compliance with Articles 2 and 15.1 of Annex II.
- 4(2) Payment will be made in accordance with Article 15 of Annex II; of the options referred to in Article 15.2, the following will apply:

Option 2

First instalment	EUR 5,210,000.00
Forecast final payment	EUR 600,000.00

(subject to the provisions of Annex II)

- 4(3) The exchange rate referred to in Article 2.7 of Annex II is the rate of exchange at which each of the Contracting Authority's payments of the contribution was recorded in the Organisation's accounts at the time of conversion, if any.

Article 5 - Contact addresses

Any communication relating to this Agreement shall be in writing, shall state the number and title of the Action, and shall use the following addresses

For the Contracting Authority:

Payment requests and attached reports, including requests for changes to bank account arrangements shall be sent to:

For the attention of Finance and Contracts Section

The Head of Delegation

*The Delegation of the European Union to Barbados and the Eastern Caribbean
Bridgetown, Barbados*

Copies of the documents referred to above, and correspondence of any other nature, shall be sent to:

For the attention of Operational Section

The Head of Delegation

*The Delegation of the European Union to Barbados and the Eastern Caribbean
Bridgetown, Barbados*

A copy of the reports referred to in Article 4(1) shall be sent to the European Union Delegation in charge of monitoring the Action, at the following address:

For the attention of Operational Section

The Head of Delegation

*The Delegation of the European Union to Barbados and the Eastern Caribbean
Bridgetown, Barbados*

For the Organisation:

a) All communications pertaining to donor relations and resource mobilization will be directed to:

Attention: Manager

Office of Outreach and Partnerships

Inter-American Development Bank

1300 New York Ave., NW Fax: (202) 312-4072

Washington, D.C. 20577 U.S.A. E-mail: partnerships@iadb.org

b) Day-to-day communications regarding the administration of this Agreement, including payments, will be directed to:

Attention: Chief, Grants and Co-financing Management Unit

Office of Outreach and Partnerships

Inter-American Development Bank

1300 New York Ave., NW Fax: (202) 623-3489

*Washington, D.C. 20577 U.S.A. E-mail: orp-gcm@iadb.org
mail:*

Article 6 - Annexes

6(1) The following documents are annexed to these Special Conditions and form an integral part of the Agreement:

- Annex I: Description of the Action
- Annex II: General Conditions applicable to European Union contribution agreements with international organisations (Version as of March, 2013).
- Annex III: Budget for the Action
- Annex IV: Financial identification form
- Annex V: Standard request for payment

6(2) Sections 1 to 17 of the Framework Agreement are incorporated by reference into the present Special Conditions. In the event of a conflict between the provisions of the present Special Conditions and any Annex thereto, and/or the Framework Agreement, the provisions of the Special Conditions shall take precedence. In the event of a conflict between the provisions of Annex II and those of the other annexes, the provisions of Annex II shall take precedence.

Article 7 - Other specific conditions applying to the Action

The following shall supplement the General Conditions:

7(1) For the purposes of this Agreement, Section 9, paragraphs 7(1)(1) and 7(1)(6) of the Framework Agreement should be read as follows:

Paragraph 7(1)(1): "The execution of the Action may be carried-out together with an Executing Agency or an implementing partner (the "Partner") contractually obligated to act in accordance with the IDB's ("the Organisation") policies and procedures. In such case, the Commission acknowledges that the Organisation's Partner will be a separate and independent entity, whose relationship with the Organisation for this Action shall be subject to a particular arrangement to be entered into pursuant to the Organisation's policies and procedures for execution of technical cooperation projects through Partners. This particular arrangement shall comply with the General Conditions and, in particular, Articles 1 thereof. For the avoidance of doubt in connection with the fifth paragraph of Article 1.3 of the General Conditions and without prejudice to Article 1.5 thereof, where the action is executed by a Partner, the Organisation shall be responsible for taking the appropriate measures to ensure that the Partner acts in accordance with the abovementioned contractual arrangements."

Paragraph 7(1)(6): "Article 14.4, third paragraph is supplemented as follows: "If payment of a total contribution is to be made in instalments, then the fee attributable to the total contribution shall be charged with the first instalments, as stipulated in Article 4(2) of the Special Conditions. The final amount to be received by the Organisation as contribution to the indirect costs will be calculated on the basis of the direct eligible costs pursuant to Articles 14 and 17 of the General Conditions."

7(2) For the purposes of this Agreement, Section 9, paragraph 7(2)(3) of the Framework Agreement should be read as follows:

Paragraph 7(2)(3): "Article 11.4 is amended as follows: "The Contracting Authority may request the Organisation to suspend implementation of all or part of the Action if circumstances (chiefly force majeure) make it impossible or too difficult or dangerous to continue. This Agreement may be terminated in accordance with Article 12.1. If the Agreement is not terminated, the Organisation and the Partners, if any, shall endeavour to minimise the duration of the suspension and shall resume implementation of the Action once the conditions allow, with the prior written approval of the Contracting Authority."

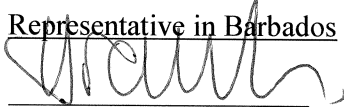
7(3) General Conditions, Article 13.2: The following sentence is added at the beginning of this paragraph: "The language to be used in the arbitral proceedings shall be English."

Done in Hastings, Barbados in three originals in the English language, two for the Contracting Authority and one for the Organisation.

For the Organisation

Name Joel Branski

Position Representative in Barbados

Signature 

Date

1 4 NOV 2013

For the Contracting Authority

Name Mikael Barfod

Position Head of Delegation

Signature 

Date

1 4 NOV 2013

ANNEX I

SIMULTANEOUS DISCLOSURE

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BARBADOS

PUBLIC SECTOR SMART ENERGY (PSSE) PROGRAM

(BA-L1025)

LOAN PROPOSAL

AND

SUPPORT FOR THE PSSE PROGRAM

(BA-X1003)

INVESTMENT GRANT

GRANT PROPOSAL

This document was prepared by the project team consisting of: Christiaan Gischler (INE/ENE), Team Leader; Laura Rojas (INE/ENE); Adriana Valencia (INE/ENE); Christel Saab (CCB/CBA); Ubaldo Inclan (INE/CCS); Alejandro Taddia (INE/TSP); Carlos Guaipatin (IFD/CTI); Matías Bendersky (ORP/ORP); Claudia Oglialoro (ORP/GCM); Rochelle Franklin (CCB/CBA); Genevieve Beaulac (VPS/ESG); Shirley Gayle (FMP/CTT); Denise Salabie (FMP/CTT); Alonso Chaverri-Suarez (LEG/CLA) and Javier Jimenez (LEG/SGO); under the supervision of Leandro Alves (INE/ENE).

This document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. The Board may or may not approve the document, or may approve it with modifications. If the document is subsequently updated, the updated document will be made publicly available in accordance with the Bank's Access to Information Policy.

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Electronic Links
REQUIRED
1. Plan of activities for first disbursement and the first 18 months of implementation http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36834048
2. Monitoring and evaluation arrangements http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36834597
3. Environmental and Social Management Report http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36834996
OPTIONAL
1. Sustainable Energy Framework for Barbados (volume 1) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35232781
2. Sustainable Energy Framework for Barbados (volume 2) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35232784
3. Framework Agreement between the European Commission and the Inter-American Development Bank http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36826152
4. Cost-Benefit Analysis http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36833719
5. PSSE Program at a glance http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36835219
4. Procurement Plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36896393

Abbreviations

AC	Air Conditioning
BAU	Business As Usual
bbl/d	Barrels of oil per day
BE	Bioenergy
BL&P	Barbados Light and Power
CO ₂	Carbon Dioxide
CCB/CBA	IDB Country Office in Barbados
CFL	Compact Fluorescents Lamp(s)
CHENACT	Caribbean Hotel Energy Efficiency Action Program
COFAB	Co-financing Contributions Administered by the Bank
CLFGS	Local Counterpart Financing
EC	European Commission
EE	Energy Efficiency
ESMR	Environmental and Social Management Report
ETD	The Energy and Telecommunications Division, Prime Minister's Office
FCA	Fuel Clause Adjustment
FTC	Fair Trading Commission
GCI	General Capital Increase
GDP	Gross Domestic Product
GEED	Government Electrical Engineering Department
GEF	Global Environment Facility
GHG	Green House Gas
GOBA	Government of Barbados
IDB	Inter-American Development Bank
INE/ENE	Energy Division of the Infrastructure and Environment Department
kWh	Kilowatt hour
LAC	Latin America and the Caribbean
LED	Light Emitting Diode
MEPS	Minimum Energy Performance Standards
MTW	Ministry of Transport and Works
MW	Megawatts
MWh	Megawatt hour
MFIE	Ministry of Finance, Investment and Energy
PBP	Programmatic Policy Based Loan
PCR	Project Completion Report
PEU	Project Execution Unit
PMR	Project Monitoring Report
PR	Progress Report
PSG	Project-Specific Grant
PSSE	Public Sector Smart Energy (Program)

PV	Photovoltaic
OC	Ordinary Capital
RE	Renewable Energy
SEFB	Sustainable Energy Framework for Barbados
SME	Small and Medium Enterprise
SWH	Solar Water Heaters
tCO ₂ e	Tons of Carbon Dioxide equivalent
UN ECLAC	United Nations Economic Commission for Latin America and the Caribbean
WAL	Weighted Average Life

PROJECT SUMMARY
BARBADOS
PUBLIC SECTOR SMART ENERGY (PSSE) PROGRAM AND SUPPORT FOR THE PSSE
(BA-L1025 AND BA-X1003)

Financial Terms and Conditions				
Borrower: Government of Barbados (GOBA)			Flexible Financing Facility (BA-L1025)*	PSG BA-X1003
		Amortization Period:	25 Years	N/A
Executing Agency: Prime Minister's Office through its Energy and Telecommunications Division (ETD)		Original WAL	15.25 Years	N/A
		Grace Period:	5 Years	N/A
Source (US\$)	Amount	Disbursement Period:	5 Years	5 Years
IDB (OC) European Commission (EC) - Project-Specific Grant (PSG) BA-X1003***	17,000,000	Supervision and Inspection Fee:	**	N/A
	7,664,000		Interest Rate:	LIBOR-based
			Credit Fee:	**
Local	--	Administrative Fee:	N/A	5%***
Total	24,664,000	Currency:	US Dollar of Single Currency Facility	Euros
Project at a Glance				
Project Objective/Description: The objective of this Program is to promote and implement the use of Renewable Energy (RE) and Energy Efficiency (EE) measures through the creation of the Public Sector Smart Energy (PSSE) Program. Ultimately, the project will help to reduce Barbados' fossil fuel dependency, promote sustainable energy and therefore contribute to the country's competitiveness. The specific objectives of the Program are to: (i) install RE systems in government buildings in the Program and retrofit these buildings and public lights with EE technologies; (ii) implement the RE pilot project and studies; and (iii) assist with capacity building, institutional strengthening and public awareness in the energy sector.				
Special contractual clauses as a condition prior to first disbursement: The selection of the Project Manager, Project Accountant, and Procurement Specialist for the PSSE Program by the ETD (see paragraph 3.2). Special contractual condition prior to first disbursement of Component I.(i): The Executing Agency shall have contracted the Barbados Light & Power (BL&P) for the procurement and installation of Energy Efficient Street Lights (see paragraph 2.7).				
Exceptions to Bank policies: Partial exceptions to the Policies for Procurement of Works and Goods and the Policies for the Selection and Contracting of Consultants Financed by the IDB (GN2349-9 and GN-2350-9) as of March 2011 are requested in order to allow goods and related services and consultancy services originating from non-Bank member countries may be eligible for procurement, provided that the country of origin of the goods and related services and consultancy services is recognized as eligible by the EC under its applicable regulations and as indicated in the Framework Agreement between the EC and the IDB (GN-2605) (see paragraph 2.4).				
Project consistent with Country Strategy:		Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	
Project qualifies for:		SEQ <input type="checkbox"/>	PTI <input type="checkbox"/>	Sector <input type="checkbox"/> Geographic <input type="checkbox"/> Headcount <input type="checkbox"/>
Procurement: The Loan will finance contracts for procurement of works, goods and related services and consultancy services in accordance with the Bank's procurement policies (documents GN-2349-9 and GN-2350-9) with the exceptions stated in paragraph 2.4. Annex III outlines the agreements for managing procurement.				

(*) Under the Flexible Financing Facility (FN-655-1) the Borrower has the option to request modifications to the amortization schedule as well as currency and interest rate conversions, in all cases subject to the final amortization date and original Weighted Average Life (WAL). In considering such requests, the Bank will take into account market conditions and operational and risk management considerations.

(**) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provision of the Bank's policy on lending rate methodology for ordinary capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

(***) Grant resources to be provided to GOBA by the European Commission (EC), under the Framework Agreement with the European Commission (GN-2605), will be administered by the IDB through a Project-Specific Grant (PSG). The EC is expected to commit 5,810,000 in Euros, which is equivalent to 7,664,000 in U.S. Dollars, based on the exchange rate of April 13, 2012. A PSG is administered by the Bank according to Document SC-114. As contemplated in these procedures, and in the "Framework Agreement between the European Commission and the Inter-American Development Bank," dated July 19, 2011, the commitment from EC will be established through a separate "Standard Contribution Agreement" ("Contribution Agreement"). EC resources will be available once the Contribution Agreement is signed with EC and the funds from EC are received by the Bank. Contributions received from the EC shall be maintained and reported in Euros, and all commitments and disbursements shall also be administered and executed only in that currency, unless the IDB and EC agree otherwise in writing (see paragraph 1.21). Therefore, the amount in US Dollars associated with the EC contribution is provided for reference purposes only. In accordance with the Contribution Agreement to be entered into between EC and the Bank these resources will be administered by the IDB and the IDB will charge an administrative fee for this purpose equivalent to 5% of EC's contribution.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, Problem Addressed, Justification

- 1.1. Barbados energy consumption relies mainly on imported oil. Although Barbados produces some oil, domestic demand (about 10,000-barrels per day (bbl/d)) greatly exceeds local supply (about 800-bbl/d), requiring 9,200-bbl/d of imported oil. This dependency impacts the Barbadian economy at the macroeconomic level and at the consumer level. The international oil price increased 42% during 2011, resulting in significant increase of the fuel import bill, which is estimated at US\$303 million¹. The fuel imports represent a significant expenditure and drain on Barbados' foreign reserves, particularly considering the high degree of volatility in international oil markets. According to the Government of Barbados (GOBA), the fuel import bill (approximately 6% of Barbados' GDP) is equivalent to Barbados' expenditures on education.
- 1.2. Barbados Light and Power (BL&P) can directly pass through fuel costs to consumers by using a Fuel Clause Adjustment (FCA). The FCA reached an all-time high in August 2008 of US\$0.25 per kilowatt hour (kWh). This would have meant a monthly electricity bill of about US\$158 for a customer consuming 400kWh per month. This figure is striking when compared to other countries in Latin America and the Caribbean (LAC). In 2008, customers were cushioned from the full impact of the increase through a government subsidy on fuel oil used for electricity generation. This subsidy on the FCA cost the GOBA approximately US\$18 million.
- 1.3. Therefore, Barbados' high dependence on fossil fuels risks jeopardizing the sustainability of its economic and social development, as well as the competitiveness of the Barbadian economy. Power generation represents the main use of fuel in the country (50%), followed by transport (33%). According to the 2008 report of the Barbados Light & Power Company (BL&P), the sole electricity provider, the country's electricity is entirely fossil-fuel generated, with 82% from heavy fuel oil (of which 19 % is from steam plants, and 63% from low-speed diesel plants), and 18% from diesel fuel.
- 1.4. Given the aforementioned economic challenges, the GOBA is committed to promoting sustainable energy practices both on the supply side, mainly using RE sources, and on the demand side, by encouraging EE and energy conservation as means to reduce the country's dependency on fossil fuels, enhance security and stability in energy supply, improve the economy's competitiveness, and achieve greater environmental sustainability².

¹ Barbados Article IV Consultation. IMF Country Report No. 12/7.

² Similar experiences in LAC support the adoption of EE and RE. For instance, with an operation of around US\$5 million (BH-X1001) Bahamas has achieved savings of 11,333, 295.5, and 113 MWh/year for the implementation of solar water heaters (SWH), efficient lights, and solar PVs, respectively. Other countries of the Caribbean have also recently shifted their energy interventions towards EE and RE (e.g., EE Loan in Jamaica in execution; JA-L1025). For RE, see more cases in: Gischler C. and Janson N. (2011), "*Perspectives and Trends in the Distributed Generation of Renewable Energy in Latin America and*

- 1.5. Since 2009, the Inter-American Development Bank (IDB) has supported the GOBA in the implementation of a Sustainable Energy Framework for Barbados (SEFB), through: (a) a package of policy-based lending (2410/OC-BA; 2609/OC-BA and BA-L1024 in preparation)³; (b) technical assistance in: assessing the potential for Renewable Energy (RE) and Energy Efficiency (EE) for the SEFB, ATN/OC-11473-BA; supporting GOBA) in drafting policies and legislation in RE and EE; ATN/OC-12737-BA⁴; energy audits in Barbadian Hotels with the Caribbean Hotel Energy Efficiency Action Program CHENACT and the advanced program, CHENACT-AP⁵, ATN/OC-11465-RG and ATN/OC12926-RG; and support studies for the Upgrade and Expansion of the Natural Gas Network, ATC/OC-11995-BA, which contributed to the analysis of the efficient use of fossil fuels; and (c) an investment loan, Sustainable Energy Investment Program or Smart Fund, 2485/OC-BA; BA-L1020, that helps small businesses acquire state-of-the-art RE and EE equipment.
- 1.6. Within this framework, the IDB is also implementing, with funding from the Global Environmental Facility (GEF) (GRT/FM-12075-BA), the Sustainable Energy Framework (SEF) pilot program for the installation of solar photovoltaic (PV) panels and CFLs across the country⁶. Furthermore, the IDB technical assistance also supports institutional strengthening, capacity building and public awareness programs.
- 1.7. This holistic approach will allow Barbados to reduce its oil imports by 30%, and by extension it will result in a reduction of the cumulative cost over 20 years from

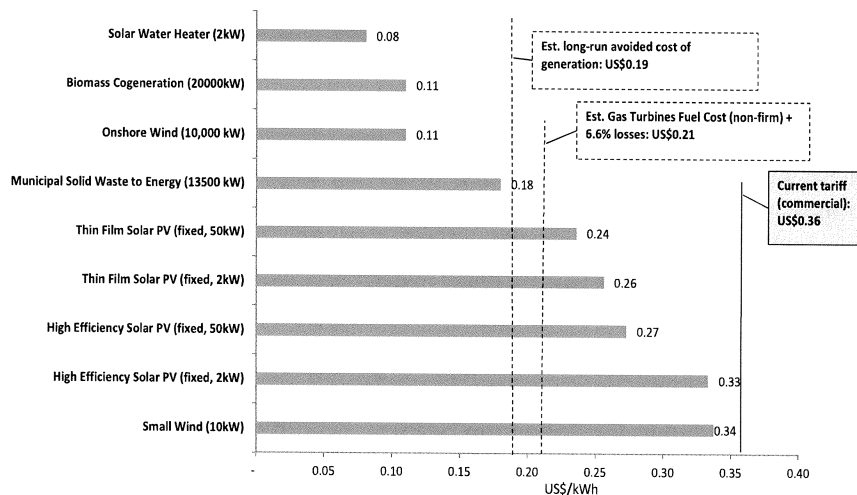
the Caribbean: Analysis of Case Studies for Jamaica, Barbados, Mexico, and Chile. Discussion Paper No. IDB-DP-208.

- ³ On September 15, 2010, the Board of Directors of the IDB approved the first operation in a series of two independent policy based loans under a programmatic approach (2410/OC-BA; BA-L1022) for US\$45 million, which was disbursed in a single tranche on November 23, 2010. The second operation in the series (2609/OC-BA; BA-L1021), for US\$70 million, was approved on November 2, 2011 and disbursed in a single tranche on December 12, 2011. The outcomes achieved as of 2011 include, among others: a) The facility for private individuals to feed excess power to the grid at an approved rate for a two year pilot period; b) The GOBA's awareness of the available measures to foster a reduction in GHG emissions and adaptation to CC; and b) The approval of a phase-out plan for incandescent lamps. In addition, a new Programmatic Energy Policy Based Loan called "Second Generation of Reforms to support the SEFB – I" (BA-L1024) of two phases is being prepared simultaneously with the PSSE. The new Energy PBP will continue to strengthen the regulatory and policy framework required to promote Energy efficiency (EE) and Renewable Energy (RE).
- ⁴ This Technical Cooperation supported the GOBA: by (i) assisting in the development of draft legislation in RE and EE; (ii) preparing cost-benefit analysis of the proposed measures; and (iii) study additional measures, such as replacement of street lighting with EE lamps and retrofitting of government buildings with EE equipment, structured as part of this operation.
- ⁵ Thanks to the success of the CHENACT, the IDB approved in September 2011, the CHENACT Advanced Program (CHENACT-AP, RG-T2015) to expand the CHENACT to Jamaica and the Bahamas as well as a follow-up of the first phase of the CHENACT in Barbados.
- ⁶ The SEFB Pilot Program has begun the tendering process and it is expected to begin the installation phase during the third quarter of 2012. This pilot program, executed in cooperation with BL&P and the GOBA, will install 3,000 power meters, 15,000 CFLs, 28 PV systems and 1 micro wind system, in selected households. The PSSE will take into consideration the lessons learned from the tendering process of this pilot. In particular, lessons regarding on how to expedite the bidding processes by involving the Special Tenders Committee and the Solicitor General Office, at a very early stage of the project.

US\$ 2.648 billion to US\$ 1.978 billion. If fully implemented, the SEFB will obtain the following long-term results, over the next 20 years: (i) generate a net benefit in present value of US\$283.5 million in electricity cost savings (5% of Barbados' GDP); and (ii) reduce monthly electricity bills by 15-20%⁷.

- 1.8. **RE Implementation Potential.** As shown in figure 1, the implementation of biomass cogeneration (20MW), waste to energy (13.5 MW) and SWH are economically and commercially viable (when compared to the long-run avoided cost of generation of US\$0.19 per kWh); therefore, these technologies are all recommended and may operate below the avoided cost of fossil fuel. Even today some of the PV technology and distributed scale wind technologies could be commercially viable in Barbados. The overall commercially and economically viable RE potential that could be deployed is estimated at 28.9% of the total installed capacity of electricity generation (in terms of MW).

Figure 1: Analysis of technically and economically feasible renewable energy technologies available in Barbados.

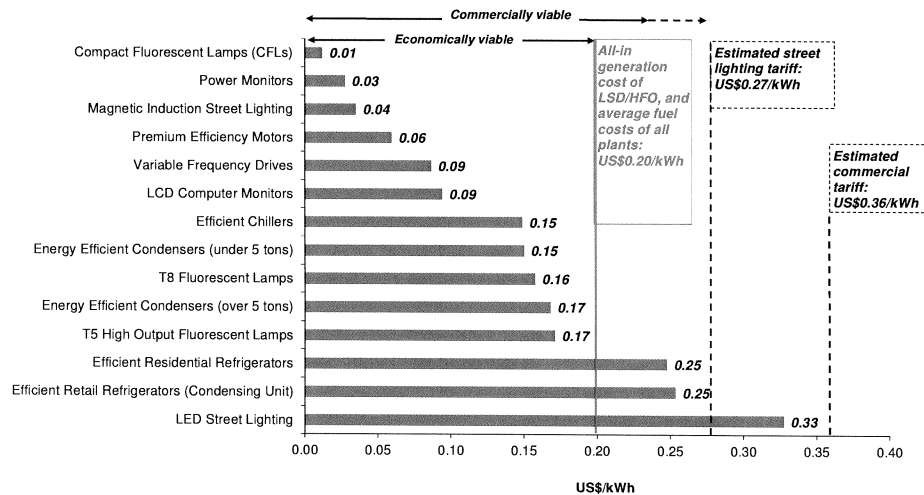


Source: Adapted from C. Gischler and N. Janson (2011). *Perspectives for Distributed Generation with Renewable Energy in Latin America and the Caribbean*. IDB DP No. 208 and from Castalia Consulting Firm

- 1.9. **EE Implementation Potential.** Figure 2 below compares the cost of energy efficient appliances and technologies with the current generation costs and the commercial tariff in Barbados. It shows that the most cost effective appliances for Barbados' market are CFLs, power monitors, premium efficiency motors, efficient Air Conditioning (AC) systems, variable frequency drives and efficient chillers (when these are compared to the avoided cost of diesel, indicated by the red line in figure 2). If the population of Barbados uses these technologies, the EE potential would be 19.4% (in terms of Megawatt hour (MWh) saved compared to the total electricity consumption).

⁷ The long-term results have been assessed with the SEFB Cost-Benefit Analysis, financed with the ATN/OC-11473-BA.

Figure 2: Analysis of the commercial and economic viability of energy efficient technologies in Barbados (Source: Castalia Consulting Firm).



- 1.10. The RE and EE potential was calculated considering a limited penetration of RE and EE projects (with the exception of SWH) implemented as of May 2010 and extrapolated over a period of 20 years, comparing a business as usual (BAU) scenario with a limited⁸ number of RE and EE projects in the energy matrix versus a Sustainable Energy scenario where technically and commercially viable RE and EE projects are incorporated in the energy mix⁹.
- 1.11. The RE and EE market barriers. Although many RE and EE technologies are commercially viable, their uptake in Barbados is low (with the exception of SWH), mainly due to the following barriers: (i) limited access to capital, as many consumers would have need to borrow to install RE or EE technologies and cannot find financing at reasonable rates; (ii) limited and uncompetitive RE and EE equipment supply (with the exception of SWH)¹⁰; and (iii) lack of information¹¹. These barriers will be addressed through investments in RE and EE

⁸ The BAU scenario would consider a minor portion of RE projects (10 MW of wind).

⁹ Assumptions on annual growth in electricity customer numbers are the same for both the BAU and Sustainable Energy scenario. They are consistent with projections carried out by BL&P, taking into account historical data for the period between 1982 and 2008. On the other hand, the assumed growth in average electricity consumption under the Sustainable Energy scenario is lower than under the BAU scenario for all customer categories. Reduced growth in consumption under the Sustainable Energy scenario is assumed based on implementing the SEFB.

¹⁰ There are relatively few providers of energy efficient equipment—which is virtually all imported. It is suggested that this situation creates two market barriers in Barbados: relatively high prices, and limited availability of EE equipment. This is likely to be a temporary barrier as the market for EE equipment develops and becomes more competitive, but in the shorter term it affects all EE technologies. For example, efficient light bulbs in stores cost about 50 percent more than in the United States—in spite of often not being of the best quality.

¹¹ A complete analysis of the barriers for RE and EE can be seen in the link to the Sustainable Energy Framework for Barbados (volumes 1 and 2).

retrofits for public buildings (see paragraph 1.18) and public awareness and education (see paragraph 1.20).

- 1.12. **Rationale.** The Public Sector Smart Energy (PSSE) Program (“The Program”) will focus on investments initiatives for RE and EE projects in the public sector. In parallel, the Energy Smart Fund (BA-L1020) is developing a package of economic instruments targeting SMEs (private sector only) to address the main market failures that prevent the country from adopting RE and EE. Consequently, both the private and public sectors of the country will be actively contributing to the achievement of the overall objective of reducing the country’s fossil fuel dependency. Besides power generation, and in order to further reduce Barbados’ fossil fuel dependency, the next possible sector in which energy savings could be made is transport. This Program will pilot the introduction of electric vehicles powered by renewable energy sources. In this way, additional energy savings could be harnessed.
- 1.13. Barbados is taking the lead on how both the private and public sector can reduce the usage of fossil fuel. By developing this Program, the GOBA is both setting an example for the region in this area, and also saving an average of yearly fiscal resources in the order of US\$ 2.4 million/year¹² that the GOBA could use for other purposes.
- 1.14. **Coordination with Country Strategy / Programming objectives.** The Program is fully consistent with the energy priority area of the IDB Country Strategy with Barbados (2009-2013) (GN-2539). In particular, the Program will contribute to the strategy’s objective of achieving “expansion of programs to support EE and RE,” and to the specific expected result associated with that objective of “expanded demand-driven funding for RE and EE initiatives.”
- 1.15. The operation also reflects the IDB’s institutional priorities as outlined in the report on the Ninth General Capital Increase in Resources for the Inter-American Development Bank (GCI-9) (AB-2764) as it contributes to the goals of (i) “supporting development in small and vulnerable countries” (such as Barbados) and (ii) “assisting borrowers in dealing with mitigation and adaptation to climate change, sustainable energy (including renewable energy and energy efficiency) and environmental sustainability.” As such, the program is in line with the Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy (GN-2609-1).
- 1.16. **The Energy and Telecommunications Division (ETD) of the Office of the Prime Minister.** This Division, previously in the Ministry of Finance, Investment and Energy (MFIE) (see paragraph 2.5) is responsible for the management of the energy sector of Barbados, through the monitoring of activities of the Barbados National Oil Company and the National Petroleum Company; pricing of petroleum products; and setting goals and objectives of policy direction for the sector. The ETD is also responsible for the development of the current tax

¹² Yearly financial savings represent savings compared to the ‘baseline technologies’—that is, technologies that are currently being used and that the GOBA would keep using under a BAU scenario.

incentives for the support of RE and EE. The Division has produced a draft National Energy Policy which was laid in Parliament in 2007. The current SEFB activities support the further development of a comprehensive National Energy Policy. The Public Sector Energy Conservation Program is the responsibility of the Division. The SEFB is an initiative of the Division to ensure an economically, socially and environmentally sustainable energy sector for the island.

B. Objective, Components and Cost

- 1.17. **Project Objective.** The objective of this Program is to promote and implement the use of Renewable Energy (RE) and Energy Efficiency (EE) measures through the creation of the Public Sector Smart Energy (PSSE) Program. Ultimately, the project will help to reduce Barbados' fossil fuel dependency, promote sustainable energy and therefore contribute to the country's competitiveness. The specific objectives of the Program are to: (i) install RE systems in government buildings in the Program and retrofit these buildings and public lights with EE technologies; (ii) implement the RE pilot project and studies; and (iii) assist with capacity building, institutional strengthening and public awareness in the energy sector.
- 1.18. **Component 1: Retrofit of government buildings with RE and EE technologies and public lights with EE technologies.** This component will finance: (i) the retrofit of public lights with EE technologies; (ii) the retrofit of at least twelve (12) government buildings with EE technologies; and (iii) the installation of solar PV systems on these government buildings¹³ (see paragraph 1.12). The total capacity of Solar PV systems in the government buildings will amount to 1.14 MW of RE electricity capacity from RE sources (in particular solar PV systems). Regarding the public lighting, this component will retrofit approximately eighty five percent (85%) of Barbados' public lights, including approximately 25,460 street lights and 619 traffic lights. This component could save about 148 GWh of electricity; enable around US\$2.4 million in annual monetary savings and a total of US\$24.8 million of net financial savings for the GOBA; and avoid 130,617 tons of CO₂ emissions over a 20-year period.
- 1.19. **Component 2: A pilot project and studies for encouraging the use of RE.** This component will finance: (i) a fleet of government electric vehicles powered by RE sources. This fleet of electric vehicles will be used to promote low carbon transportation technologies in Barbados¹⁴; and (ii) studies culminating in a business prospectus to facilitate the construction and operation of an ocean power plant. The ocean power studies will serve as a platform for Barbados to assess the feasibility of this technology.

¹³ Based on an estimated 1040.8kW for twelve public buildings, prioritized by the GOBA and assessed under the SEFB are the following: 1.Government Headquarters, 2.Warrens Office Complex, 3.Geriatric Hospital, 4.Ministry of Agriculture, 5.Ministry of Education, 6.Ministry of Foreign Affairs, 7.Parliament Building, 8.National Housing Corporation, 9.Queen Elizabeth Hospital, 10.Frank Walcott Building, 11.Lloyd Erskine Sandiford (LES) Conference Centre, 12.Harrison College; as well as an additional 100kW on a separate public building.

¹⁴ The Program will purchase at least eight electric vehicles and charging dock installations. The Program will also purchase a 50kW solar PV system to charge the vehicles' batteries. The pilot will promote low carbon transportation as way to further reduce the country's dependency on fossil fuels.

- 1.20. **Component 3: Capacity building, institutional strengthening and public awareness.** In order to achieve the objectives of the SEFB and generate the transformational effect in Barbados to promote and harness the country's RE and EE potential, capacity building and institutional strengthening will be required at all levels within the energy sector. This component will finance the following subcomponents: (i) capacity building and training¹⁵ to upgrade professional and technical skills; (ii) upgrade of capacity within the GOBA in all sectors related to sustainable energy; (iii) public awareness campaigns at all levels to promote sustainable energy, such as schools, government, media, conventions, conference and workshops. This subcomponent will allow the GOBA to implement an awareness and education program to promote RE and EE throughout the country, including schools, universities, labor unions, and broader civil society; (iv) a Project Execution Unit (PEU) for the PSSE Program in the ETD (see paragraph 3.2) as well as software for data collection; and (v) the monitoring and evaluation of the PSSE Program, including the data collection and analysis of the impact, outcomes and output indicators of the results matrix (see Annex II) using the methodologies explained in the Monitoring and Evaluation arrangements (see link 2). The PSSE Program will be committed to gender equality and it will encourage women to participate in any training and to apply for any job opportunities.
- 1.21. **Cost and additional financing:** The total estimated budget is US\$24,664,000. The Bank will finance up to US\$17 million from the Ordinary Capital (OC) resources under the Flexible Financing Facility. The EC is expected to contribute Euros with a Project-Specific Grant (PSG) of Euros 5,810,000 which is equivalent to 7,664,000 in U.S. Dollars, based on the exchange rate of April 13, 2012. The PSG will be administered by the IDB according to the "Report on COFABS, Ad-Hocs and CLFGS and a Proposal to unify them as Project-Specific Grants" (Document SC-114). In accordance with the Contribution Agreement to be entered between EC and the Bank the IDB will charge an administrative fee of 5% to cover administrative and indirect costs deriving from the project. The 5% fee, duly identified in the budget table (see table 1 below), will be charged and converted into US\$ when the first installment is received by the IDB. Resources of the EC shall be maintained and reported in Euros, and all commitments and disbursements shall also be administered and executed only in Euros, unless the

¹⁵ Women will be encouraged to participate in training for upgrading of skills for electricians and installers of PV systems and EE equipment, an area usually dominated by male participation. The training will target government officials, such as: the Government Electrical Engineering Department (GEED), the ETD, the Ministry of Transport and Works (MTW) as well as the utility (the BL&P), suppliers of electric equipment, solar equipment installers, electricians among other technicians and professionals in the sector.

IDB and the EC agree otherwise in writing as part of the Contribution Agreement or elsewhere¹⁶.

- 1.22. In accordance with the Contribution Agreement to be entered into between EC and the IDB these resources will be administered by the IDB and the IDB will charge an administrative fee for this purpose equivalent to 5% of EC contribution.

Table 1. Program Costs

Components	IDB	EC*		Total
	(US\$)	(Euros)	(US\$)	(US\$)
1. Retrofit of government buildings with RE and EE technologies and public lights with EE technologies				
1.1. EE Retrofits for Public Lights	3,850,000	4,645,300	6,127,638	9,977,638
1.2. EE Retrofits for Public Buildings	4,150,000	-	-	4,150,000
1.3. Solar PV for Public Buildings	5,500,000	-	-	5,500,000
2. A pilot project and studies for encouraging the use of RE				
2.1. Public Electric Vehicles with solar PV	300,000	-	-	300,000
2.2. Ocean Power Studies	-	758,000	999,882	999,882
3. Capacity building, institutional strengthening, public awareness and Project management				
3.1. Capacity Building, Institutional Strengthening, and Public Awareness	1,700,000	-	-	1,700,000
3.2. Monitoring & Evaluation and Project Management	1,500,000	116,200	153,280	1,653,280
4. Administrative Fee (5%)	-	290,500	383,200	383,200
Total	17,000,000	5,810,000	7,664,000	24,664,000

Notes: * Resources of the EC shall be maintained and reported in Euros, unless the IDB and EC agree otherwise in writing (see paragraph 1.21). The amount in US Dollars associated to the EC contribution is provided for reference purposes only.

C. Key Results Indicators

- 1.23. **Expected Results.** According to the Program's Cost-Benefit Analysis, the PSSE Program may generate positive net benefits¹⁷ both with a 12% social discount rate

¹⁶ Therefore, the total amount indicated in U.S. dollars in this budget related to the EC contribution is for reference purposes only and may vary due to exchange rate fluctuations, depending on the applicable exchange rate at the time when the EC payments of the contribution are received and converted into U.S. dollars by the IDB, as may be provided in the Contribution Agreement. If necessary, the budget will be adjusted accordingly by the team leader to reflect such fluctuations (see table 1 Program Costs). This Loan Proposal, may be included as an annex to the Contribution Agreement, although a consolidated budget (i.e., without detailing the allocation of each of the parties' resources per component) may be used to reflect the fungible nature of the EC contribution and comply with EC requirements.

¹⁷ The Internal Rate of Return of the Project is 12.2%.

and with a 6% social discount rate¹⁸. For the latter, the net present value is estimated at US\$7.27 million over a twenty-year period, compared to a business-as-usual (BAU) scenario that involves no additional investments in sustainable energy for public lighting, public buildings, and RE pilot projects. The benefits of the Program will stem from savings on electricity bills, revenues from the sale of excess electricity to the grid, financial revenues from sale of emissions reductions, and savings on fuel consumption. In addition the PSSE Program could abate more than 132,000 tCO₂e over a twenty-year period.

- 1.24. The GOBA has available roof space on public buildings to install solar PV systems to generate electricity both for self-consumption and to sell the excess to the grid. With a capacity of about 1.14 MW of installed PV systems, the energy and financial savings could amount to about 1.7 GWh/year¹⁹ and US\$0.59 million per year²⁰ respectively. Through the financing of RE equipment, the project will promote the generation of at least 1 MW of RE distributed generation and energy savings of at least 30 GWh, as well as financial savings from the reduction in electricity bills.
- 1.25. The baseline, results and target for the PSSE Program can be found in the Project Results Framework (see annex II). The financing of RE projects will increase self-generation and distributed generation with the possibility of selling excess electricity to the grid, thereby lowering the energy bill of end users and contributing to reduce fossil fuel electricity generation that would have been necessary without this project. The PSSE Program, sponsored by GOBA, EC and IDB can benefit from the Fair Trading Commission's (FTC) approval of a rider allowing private individuals, companies and/or public entities to feed excess power from RE technologies into the grid for a pilot period of two years. The RE rider²¹ introduces tariffs and terms for a feed-in tariff for PV and micro wind applications. It is expected that after the two year trial, FTC may approve the same policy for a longer period of time.
- 1.26. Overall, the PSSE Program, as part of the Sustainable Energy Framework for Barbados, will contribute to reduced GHG emissions and mitigate climate change. The project team estimates that, the PSSE Program would generate US\$45 million in electricity costs savings over the next 20 years and would avoid the production of more than 132,000 tCO₂e emissions, which are concrete environmental benefits, over the same period.

¹⁸ The CBA also uses the 6% as an approximation to a referential social discount rate for climate change mitigation and adaptation in Barbados. See: United Nations Economic Commission for Latin America and the Caribbean (UN ECLAC), 2011: Review of the Economics of Climate Change in the Caribbean.

¹⁹ Assuming a 19% capacity factor (1,700kWh/kW/year) for solar PV panels.

²⁰ Assuming a General Service Tariff of US\$0.36/kWh of avoided retail electricity cost; and a Renewable Energy Rider of US\$0.26/kWh obtained for selling the excess power to the grid..

²¹ The Rider approved by FTC will allow at least 200 RE connections, of which 28 connections will be financed by SEF Pilot Program, mainly PV systems, with a value of 1.8 times the Fuel Clause Adjustment (FCA) (US\$0.16 per kWh) for a period of 2 years. This policy commitment was included in the first phase of the Energy PBP.

- 1.27. **Sustainability of the PSSE Program.** The PSSE Program as part of the Sustainable Energy Framework for Barbados (SEFB) will trigger higher levels of energy efficiency and clean generation that is highly unlikely to be reverted. The savings-based structure for the Program's flow of funds can use savings accrued throughout the execution of RE and EE projects to pay for the Program's maintenance and replication. Furthermore, the Program is structured in accordance with the principles of the EE and RE Policies designed by the SEFB and currently approved by Cabinet. Through these Policies, the GOBA provides an environment that contributes to the sustainability of the PSSE Program. For instance, the GOBA will be able to replace the light bulbs at the end of lifetime or after a failure with similar or better technologies, given that the Minimum Energy Performance Standards (MEPS), stated in the EE policy, will allow the gradual phase out of inefficient light bulbs, as well as other inefficient lighting, by restricting import and sales of the inefficient technologies. Furthermore, by extrapolation of the current trend, by the time that a replacement is needed, efficient air conditioners, efficient lights, and efficient screens will be considered as international best practices, and it is likely that even more efficient equipment may be installed at even lower costs. In particular, there are consistent signals suggesting that Light Emitting Diodes (LEDs), an efficient lighting technology, will stay on the track of further decreases in costs. The same can be said of solar PV systems, which are likely to experience an increased penetration in Caribbean countries as costs continue to drop. Finally, supporting innovative technologies with a conservative part of the Program's budget may give Barbados a competitive edge in technologies that are being piloted elsewhere in the world.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financial Instruments and Contractual Conditions

- 2.1 The project will be financed through an investment loan and an investment grant as mentioned in paragraph 1.26. The loan will be financed with resources from the Ordinary Capital of the Bank under the framework of the Flexible Financial Facility. The amortization period will be 25 years, a Weighted Average Life (WAL) of 15,25, an original disbursement period of 5 years and a grace period of 5 years.

B. Environmental and Social Safeguard Risks

- 2.2 Overall, the project classified as B, will have net positive environmental effects due to the potential impacts in GHG emission reductions, substitution of fossil fuel based electricity generation and climate change mitigation brought by the implementation of EE and RE measures. The type of operations currently envisioned for support by the Program (EE appliances and measures, distributed power generation using RE technologies, such as solar PV systems, for government buildings) are likely to have minimal to moderate adverse environmental impact (see the ESMR in link 3).

C. Risks and Special Considerations²²

- 2.3 **Fiduciary Risk.** Based on the Institutional Capabilities Assessment (SECI, acronym in Spanish) and the IDB project team's assessment, the ETD has a solid knowledge of the energy sector, and is the most qualified entity to execute the Program. However, its institutional and fiduciary capacity is limited and needs to be strengthened through the assignment of additional staff to support the execution of the PSSE Program. In order to facilitate the procurement of goods, works and related services, and consultancy services, a Procurement Specialist, funded by the Program will provide support to the ETD.
- 2.4 Procurement for this Program financed in whole or part by the IDB will be carried out in accordance with the Policies for Procurement of Works and Goods Financed by the IDB (GN2349-9) of March 2011 and the Policies for the selection and Contracting of Consultants (GN2350-9) of March 2011; and the provisions established in the Loan Contract, Non-reimbursable Financing Agreement and the procurement plan. **A partial waiver to the IDB's Policies for Procurement of Works and Goods and the IDB's Policies for the selection and Contracting of Consultants Financed by the IDB (GN2349-9 and GN-2350-9) of March 2011 is requested by the Project Team in order that goods, related services, and consultancy services from non-Bank member countries may be eligible for procurement provided that the country of origin of the goods, related services, and consultants is recognized as eligible by the EC under its applicable regulations, and as indicated in the Framework Agreement between the EC and the IDB.** The waiver will facilitate a seamless integration of the funds from both sources, allow for a more efficient administration process and allow procurement opportunities to be open to eligible countries under the EC's applicable regulations for origin of goods, related services and consultancy services.
- 2.5 **Procurement Plan.** The procurement plan for the PSSE Program covering the first 18 months of the program (from January 2013 to August 2014) is summarized in Annex III. It indicates the procedure to be used for the procurement of goods, the contracting of works or services, and the method of selecting consultants, for each contract or group of contracts. It also indicates cases requiring prequalification; the estimated cost of each contract or group of contracts; the requirement for ex ante or ex post review by the Bank; and estimated dates for the publication of specific procurement notices and completion of the contracts included in this project. The procurement plan will be updated annually or whenever necessary or as required by the Bank.
- 2.6 Procurement for the PSSE Program includes: (i) goods: (a) provision and installation of EE lights for public lights, (b) provision, installation, operation and maintenance of solar PV panels and EE equipment for government buildings, (c) provision of at least eight electric vehicles, and (d) public relations materials such as brochures; and (ii) consulting services to: (a) conduct assessments of EE retrofits of public lights and EE retrofits and solar PV systems for public

²² The overall risk of the program is rated low.

buildings, (b) ocean power studies, (c) prepare public education materials, (d) support the execution of the Program through technical expertise and consultants to support the work of the ETD and (e) develop public awareness campaigns, implement and execute public education and awareness activities and media relations.

- 2.7 For the procurement of section (i).(a)., in accordance with paragraph 2.4, the Executing Agency will contract the BL&P to carry out the tendering process for the EE street lights and to install the EE street lights, within the execution period of the Program. The fee for and the execution of the contract for the operation and maintenance (O&M) of the EE street lights will be negotiated between the GOBA and the BL&P. The sole source is justified by the considerable experience of the BL&P in this field, given that this company owns the majority of street lights in the country. In addition, the BL&P follows strict safety procedures which might be difficult for other possible installers to adopt in a short period of time. **The Executing Agency shall have contracted the BL&P for the procurement and installation of EE street lights as a special contractual condition prior to first disbursement of Component I.(i).**
- 2.8 The contract for EE retrofits and solar PV for public buildings may be structured with performance-based payments. Under this type of contract, the performance of EE retrofits may be measured in terms of savings in electricity consumption compared to the 'baseline' consumption specified in the approved Baseline and Optimization Study, and the performance of PV systems will be measured in terms of energy output compared to the projected output specified in the Configuration and Roof Study. The O&M of the retrofits in Public Buildings will be carried out by the contractor for the execution period of the Program. The contractor will provide O&M manuals and training for each building's maintenance staff on how to do O&M before the end of the contract period.
- 2.9 For further information regarding the fiduciary and procurement arrangements, see Annex III - Fiduciary Arrangements and requirements.
- 2.10 **Execution Risk.** The PSSE Program presents some execution risks, given the limited institutional capacity of the ETD in the management and execution of RE and EE projects. This risk will be mitigated with the implementation of a PEU, including a Project Manager, Project Accountant, Procurement Specialist and a Project Assistant as well as software for data collection, funded through Component 3 of this Loan. The IDB, through INE/ENE and CCB/CBA, will also provide technical assistance to assist in the execution upon request of the GOBA.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary Implementation Arrangements

- 3.1. **Borrower and Executing Agency.** The GOBA will be the Borrower and the ETD will be the Executing Agency. The ETD will be responsible for the execution of the PSSE Program.
- 3.2. The ETD will establish a Project Executing Unit (PEU) to be financed from Component 3 (see paragraph 1.20) throughout the five-year execution period of

the PSSE Program including: (i) a Project Manager who will have overall responsibility for the PEU as well as for the coordination and execution of all the components and activities under the Program; (ii) a Procurement Specialist who will be in charge of designing and implementing the procurement plan; (iii) a Project Accountant who will be in charge of the fiduciary arrangements; and (iv) one Project Assistant. **The selection and appointment of the Project Manager, Project Accountant, and the Procurement Specialist for the PSSE by the ETD, will be a condition prior to first disbursement.**

- 3.3. **Co-financing with EC funds:** Grant resources to be provided by the EC will be administered by the IDB through a PSG, BA-X1003, pursuant to the terms of the Contribution Agreement to be entered into between EC and the IDB (see paragraph 1.21).
- 3.4. **Supervision and reporting:** The IDB Project Team will report to the EC on the EC-funded activities. The IDB will provide annual and final reporting to the EC, in compliance with the provisions of art. 2 of Annex II of the EC-IDB Framework Agreement (GN-2605). Reporting will be prepared on the basis of detailed input provided by the ETD (see paragraph 3.6).

Table 2. Disbursement Schedule

US\$ Millions	2013	2014	2015	2016	2017	Total
IDB Loan	1	11	3	1	1	17
EC Grant	0.64	3.2	2.7	1.03	0.1	7.664
Percentage (%)	6.64	57.57	23.11	8.22	4.46	100.00

- 3.5. **Execution period.** The execution period will start on signature of the Loan Contract, for a period of 5 years. The PSSE Program should be totally disbursed in that period.

B. Summary of Arrangements for Monitoring Results

- 3.6. The IDB project team located both in Washington and in the Barbados Country Office will be in charge of monitoring the Program. The Borrower and the IDB have agreed to carry out follow-up meetings, initially on a quarterly basis. The ETD, through the PEU, will prepare semi-annual Progress Reports (PR) for the IDB's non-objection. These reports will include technical information in terms of (i) number of government buildings retrofitted; (ii) cumulative MW of RE introduced and MWh saved with EE measures or equipment; (iii) number of street lights retrofitted and MWh saved; (iv) the MW of RE introduced and MWh saved with EE measures; (v) fossil fuels saved (i.e., barrels of oil equivalent of electricity saved and generated by RE and EE measures); (vi) Program's Financial savings; (vii) CO₂ emissions avoided by the PSSE Program; and (viii) jobs created by the PSSE Program. The PEU will also monitor and evaluate the progress of the Program in relation to the Results Framework (see Annex II), and include such information in the semi-annual PRs. The ETD will also submit to the IDB annual audited reports as well as final audited financial statements of the Program. The Results Framework and the PRs are the principal elements for

monitoring the Program. The IDB and the ETD, through the PEU, will convene on specific reporting arrangements needed for reporting to the EC. Those arrangements will be included in the semi-annual PRs prepared by the PEU for the IDB's non-objection.

- 3.7. The ETD, through the PEU, will monitor installed RE equipment, and estimate excess energy sold to the grid from Government Buildings and energy savings, using the RE Rider or a similar mechanism (see paragraph 1.25). With the information gathered through the monitoring process, the ETD will prepare a mid-term and final evaluation of the PSSE Program (see link 2). The mid-term evaluation will be prepared after half of the execution period has elapsed or once 50% of the resources have been disbursed, whichever comes first. The final evaluation will be prepared when 90% of the resources have been disbursed.
- 3.8. The mid-term and final evaluation will measure, through a comparison between a BAU scenario vs. PSSE Program scenario and an ex post Cost-Benefit Analysis, the following indicators: (i) savings in Government energy consumption and spending; (ii) avoided CO₂ emissions; (iii) jobs created by the PSSE Program; (iv) reduced fossil fuel use in Barbados's energy matrix; (v) emerging energy technologies demonstrated by wider uptake; and (vi) institutional capacity for sustainable energy programming.
- 3.9. In addition, a Project Completion Report (PCR) will be prepared within six months after the last disbursement of the Program. The PCR will evaluate the impact and results obtained by the program. The Borrower, through the PEU, is responsible for gathering information and data required for monitoring and evaluation.

ANNEX II

General Conditions applicable to European Union contribution agreements with international organisations

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GENERAL AND ADMINISTRATIVE PROVISIONS

Article 1 - GENERAL OBLIGATIONS

- 1.1 The Organisation shall ensure that the Action is carried out in accordance with the Description of the Action contained in Annex 1 and is responsible for achieving the objectives set out therein. The Organisation shall report on the indicators of achievement specified in the Description of the Action.
- 1.2 The Organisation shall implement the Action with the requisite degree of care, efficiency, transparency and diligence, as required by best practice in the field concerned, and in compliance with this Agreement.

The Organisation shall make every effort to mobilise all the financial, human and material resources required for full implementation of the Action, as specified in the Description of the Action.

- 1.3 The Organisation may act either alone or in partnership with one or more organisations mentioned in the Description of the Action (implementing partners or partners). Partners shall actually participate in implementing the Action, and the costs they incur shall then be eligible under the same conditions as those incurred by the Organisation.

It may also contract parts of the Action, in accordance with the provisions of article 10 hereof.

Where the EU contribution has been awarded to the Organisation in the form of a grant following a call for proposals or a direct award, and therefore not as a Joint Management Action, and in particular where the implementation of the Action requires financial support to be given to third parties, the Organisation may only award grants to third parties ("sub-grants") as provided for in the Special Conditions, and only in order to support the achievement of the objectives of the Action. The Description of the Action shall include a list and description of the types of activity which may be eligible for sub-grants, together with the criteria for the selection of the beneficiaries of these sub-grants. The Description of the Action shall also establish the total amount which may be used for awarding sub-grants as well as the criteria for fixing the exact amount per sub-grant. The maximum amount of a sub-grant shall be limited to EUR 60 000 per third party, except in cases where the financial support in the form of grants and sub-grants is the primary aim of the action and it is not funded by the European Development Fund. The sub-grants awarded by the Organisation are subject to the nationality and eligibility rules for selection provided for in Article 10.3.

Where the Action is not a Joint Management Action, the bulk of the Action shall be undertaken by the Organisation, and where applicable, its partners.

The Organisation shall remain fully responsible for the co-ordination and execution of all contracted activities.

- 1.4 The Organisation undertakes to ensure that the conditions imposed upon it under Articles 1, 3, 4, 5, 6, 7, 10, 14, 16 and 17 shall also apply to all partners and, where applicable, contractors involved.

- 1.5 The Organisation shall take appropriate measures to prevent irregularities, fraud, corruption or any other illegal activity in the management of the Action. All suspected and actual cases of irregularity, fraud and corruption related to this Agreement as well as measures related thereto taken by the Organisation shall be reported to the Contracting Authority without delay.

Where appropriate the Organisation shall terminate contracts with partners, contractors or agents involved in fraudulent behaviour or corrupt practices in connection with this or any other actions implemented by the Organisation and financed by the European Union, and shall take all reasonable measures to recover funds unduly paid.

- 1.6 Without prejudice to Articles 1.3 and 10, the Agreement and the payments attached to it shall not be assigned to a third party in any manner whatsoever without the prior written consent of the Contracting Authority.

- 1.7 The provisions regarding "Joint Management Actions" in these General Conditions may be applied if provided for in the Special Conditions and where at least one of the following conditions is met:

- the performance of the Action requires the pooling of resources from a number of donors, and it is not reasonably possible or appropriate to assign the share contributed by each donor to each type of expenditure (hereinafter, "Multi-donor Actions"), or
- the European Commission and the Organisation are bound by a long-term framework agreement laying down the administrative and financial arrangements for their cooperation; or
- the European Commission and the Organisation have jointly assessed the feasibility and defined the terms for implementation of the Action.

- 1.8 Where the European Commission is not the Contracting Authority, it shall not be a party to this Agreement, which shall only confer on it rights and obligations where explicitly stated. It will nevertheless endorse the Agreement to ensure that the Contracting Authority's contribution is actually paid by the EU budget, and the provisions on visibility in this Agreement will apply accordingly.

Article 2 - OBLIGATIONS REGARDING INFORMATION AND FINANCIAL AND NARRATIVE REPORTS

- 2.1 The Organisation shall provide the Contracting Authority with full information on the implementation of the Action. To that end, the Organisation shall provide before signature of this Agreement a work plan for the first period of implementation specified in the Description of the Action. The Organisation shall also draw up progress reports and a final report. These reports shall consist of a narrative part and a financial part. Reporting, narrative as well as financial, shall cover the whole of the Action, regardless of whether this Action is wholly financed or co-financed by the Contracting Authority.
- 2.2 The Contracting Authority may request additional information at any time, providing the reasons for the request. Such information shall be supplied within 30 days of the request.

- 2.3 The Organisation shall send progress reports to the Contracting Authority in accordance with the provisions below. Every report shall provide a complete account of all aspects of implementation for the period covered.

The report shall be laid out in such a way as to allow comparison of the objective(s), the means envisaged or employed (in particular separate information on the amounts subject to legal commitment and on costs incurred by the Organisation, and where applicable, its partners), the results expected and obtained and the budget details for the Action. The level of detail in any report should match that of the Description of the Action and of the Budget for the Action.

- 2.4 The narrative report shall directly relate to this Agreement and shall at least include:

- Summary and context of the Action;
- Activities carried out during the reporting period (i.e. directly related to the Action and activities described in this Agreement);
- Difficulties encountered and measures taken to overcome problems;
- Changes introduced in implementation;
- Achievements and results measured in accordance with the performance indicators prescribed in this Agreement;
- Work plan for the following period including objectives and performance indicators of achievement. If the report cannot be sent before the end date fixed for the period covered by the preceding work plan, a new work plan, albeit provisional, shall be provided before such date.

- 2.5 The final report shall contain the above information on the activities and results of the Action (except for a work plan mentioned in the last indent, without purpose at the end of the Action) covering the whole Implementation Period, information on the measures taken to identify the European Union as the source of financing, and details on the transfers of assets provided for in Article 7.3 if relevant, plus a full summary of the Action's income, contributions received and cost incurred.

- 2.6 The reports shall be presented in the same language as this Agreement. They shall be submitted at the following intervals:

if payments follow option 1 in Article 15.1:

- a progress report shall be forwarded to the Contracting Authority at the end of every 12-month period, where the Implementation Period of this Agreement is longer;
- a final report shall be forwarded to the Contracting Authority within six months of the end of the Implementation Period of this Agreement as defined in Article 2 of the Special Conditions;

if payments follow option 2 in Article 15.1:

- a progress report shall accompany every request for pre-financing or interim payments;

- the final report shall be forwarded to the Contracting Authority within six months of the end of the Implementation Period of this Agreement as defined in Article 2 of the Special Conditions.
- 2.7 Reports shall be submitted in Euro and in the holding currency used by the Organisation, and may be drawn from financial statements denominated in other currencies as per the Organisation's legislative requirements. In such case and for the purpose of reporting, conversion into Euro shall be made using the rate of exchange at which the Contracting Authority's contribution was recorded in the Organisation's accounts (weighted average), unless otherwise specified in article 4(3) of the Special Conditions.
- 2.8 Any additional reporting requirement shall be set out in the Special Conditions.
- 2.9 If the Organisation fails to supply a final report by the final report deadline laid down in Article 2.6, and fails to furnish an acceptable written explanation of the reasons why it is unable to comply with this obligation, the Contracting Authority may refuse to pay any outstanding amount and recover any amounts unduly paid.

Furthermore, where the Organisation fails to present a progress report and where relevant a request for payment by the end of each 12-month period following the date laid down in Article 2(2) of the Special Conditions, the Organisation shall inform the Contracting Authority of the reasons why it is unable to do so, and shall provide a summary of the state of progress of the Action. If the Organisation fails to comply with this obligation, the Contracting Authority may terminate the Agreement in accordance with the first indent of Article 12.2, refuse to pay any outstanding amount and recover any amounts unduly paid.

- 2.10 In addition to the above mentioned reports, the Organisation will ensure that progress and situation reports, publications, press releases and updates, relevant to this Agreement, are communicated to the Contracting Authority as and when they are issued.

The Organisation and the Contracting Authority will further endeavour to promote close collaboration and exchange of information on the Action. The Organisation will invite the European Commission to join any donor committee which may be set up in connection with Multi-Donor Actions.

- 2.11 In any event the Organisation shall inform the Contracting Authority without delay of any circumstances likely to hamper or delay the implementation of the Action.

Article 3 - LIABILITY

- 3.1 The Organisation shall have sole responsibility for complying with all legal obligations incumbent on it.
- 3.2 The Contracting Authority may not under any circumstances or for any reason whatsoever be held liable for damage or injury sustained by the staff or property of the Organisation while the Action is being carried out, or as a consequence of the Action. Therefore, the Contracting Authority may not accept any claim for compensation or increases in payment in connection with such damage or injury.

- 3.3 Subject to the rules governing the Organisation's privileges and immunities, the Organisation shall assume sole liability towards third parties, including liability for damage or injury of any kind sustained by them in respect of or arising out of the Action. The Organisation shall discharge the Contracting Authority of all liability associated with any claim or action brought as a result of an infringement by the Organisation or the Organisation's employees or individuals for whom those employees are responsible of rules or regulations, or as a result of violation of a third party's rights.

Article 4 - CONFLICT OF INTERESTS

The Organisation shall take all necessary precautions to avoid conflicts of interests and shall inform the Contracting Authority without delay of any situation constituting or likely to lead to any such conflict.

There is a conflict of interests where the impartial and objective exercise of the functions of any person implementing this Agreement is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with another party such as a contractor or grant beneficiary, or the final recipients of funds.

Article 5 - CONFIDENTIALITY

Subject to Article 16, the Contracting Authority and the Organisation shall preserve the confidentiality of any document, information or other material directly related to this Agreement and duly classified as confidential, until at least five years after the end date as specified in Article 12.5. Where the European Commission is not the Contracting Authority, it shall still have access to all documents communicated to the Contracting Authority, and will maintain the same confidentiality.

Article 6 - VISIBILITY AND TRANSPARENCY

- 6.1 Unless the European Commission requests or agrees otherwise, the Organisation shall take all appropriate measures to publicise the fact that the Action has received funding from the European Union. Information given to the press, the beneficiaries of the Action, all related publicity material, official notices, reports and publications, shall acknowledge that the Action was carried out "with funding by the European Union" and shall display in an appropriate way the European logo (twelve yellow stars on a blue background). Such measures will be carried out in accordance with the Communication and Visibility Manual for EU External Actions laid down and published by the European Commission, or any other guidelines agreed between the European Commission and the Organisation.

It is understood that the Organisation's equipment and vehicles may routinely carry its emblem and other indications of ownership prominently displayed. In cases where equipment or vehicles and major supplies have been purchased using funds provided by the European Union, the Organisation shall display appropriate acknowledgement on such vehicles, equipment and major supplies (including display of the European logo). Where such display could jeopardise the Organisation's privileges and immunities or the safety and security of the Organisation's staff, the Organisation shall propose appropriate alternative arrangements.

- 6.2 The size and prominence of the acknowledgement and European Union logo shall be clearly visible in a manner that does not create any confusion regarding the identification of the Action as an Activity of the Organisation, the ownership of the equipment and supplies by the Organisation, and the application to the Action of the Organisation's privileges and immunities.
- 6.3 All publications by the Organisation pertaining to the Action, in whatever form and whatever medium, including the internet, shall carry the following or a similar disclaimer: "This document has been produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union."
- 6.4 If the equipment bought with a European Union contribution is not transferred to local partners of the Organisation or the final recipient of the Action at the latest when submitting the final report, the visibility requirements as regards this equipment (in particular display of the European logo) shall continue to apply between submission of the final report and the end of the overall project, programme or action of the Organisation, if the latter is longer.
- 6.5 Publicity pertaining to European Union contributions shall quote these contributions in Euro (€ or EUR), in parenthesis if necessary. The Organisation's publications and reports prepared in response to, and in accordance with, its legislative directives are excluded from this provision.
- 6.6 The Organisation accepts that the Contracting Authority and the European Commission (where it is not the Contracting Authority) publish in any form and medium, including on their websites the name and address of the Organisation, the purpose of the contribution as well as the amount contributed and if relevant the percentage of co-financing.

Upon a duly substantiated request by the Organisation, the European Commission may agree to forego such publicity if disclosure of the above information would risk threatening the Organisation's safety or harming its interests.

- 6.7 With due regard to the applicable rules on confidentiality, security and protection of personal data, the Organisation shall publish, on an annual basis, on its website, the following information on grant and procurement contracts exceeding EUR 15.000 financed by the Contracting Authority: title of the contract/project, nature and purpose of the contract/project, name and locality of the contractor or grant beneficiary and amount of the contract/project. The term "locality" shall mean the address for legal persons and the Region on NUTS¹ 2 level, or equivalent, for natural persons.
- 6.8 The Organisation shall provide to the Contracting Authority the address of the website where this information can be found and shall authorise the publication of such address in the Contracting Authority's internet site.

The Organisation ensures that the obligation to publish this information shall be also applied by its implementing partners as described in Annex I of this Agreement, with

¹ Nomenclature of Territorial Units for Statistics, available at:
<http://ec.europa.eu/eurostat/ramon>

regard to their own grant and procurement contracts financed by the Contracting Authority.

Article 7 - OWNERSHIP/USE OF RESULTS AND EQUIPMENT

- 7.1 Ownership, title and industrial and intellectual property rights in the results of the Action and the reports and other documents relating to it shall vest in the Organisation, as the case may be together with third parties or as may otherwise be agreed by the Organisation.
- 7.2 Notwithstanding the provisions of the first paragraph and subject to Article 5, the Organisation shall grant the Contracting Authority (and the European Commission where it is not the Contracting Authority) the right to use free of charge and as it sees fit all documents deriving from the Action, whatever their form, provided it does not thereby breach existing industrial and intellectual property rights.
- 7.3 Unless otherwise specified in the Special Conditions, the equipment, vehicles and supplies paid for by the Contracting Authority's funding shall be transferred to local authorities or local partners (excluding commercial contractors) of the Organisation or to the final recipients of the Action at the latest when submitting the final report. The documentary proof of those transfers shall be kept for verification along with the documents mentioned in Article 16.3.

By way of derogation from the preceding paragraph, the equipment, vehicle and supplies purchased in the framework of multi-donor actions which continue after the end of the Implementation Period of this Agreement, may be transferred to these local authorities, partners or final recipients at the end of the project, programme or action of the Organisation. The Organisation pledges to use the assets to the benefit of those benefiting from the present Action. The Organisation shall inform the Contracting Authority on the end use of the assets in the final report.

In the event that there are no local authorities or partners to whom the equipment, vehicles and supplies could be transferred, the Organisation may transfer the assets to another action funded by the European Union or Contracting Authority or, exceptionally, retain ownership of the equipment, vehicles and supplies at the end of the Action. In such cases, it should submit a justified written request with an inventory listing the items concerned and a proposal concerning their use in due time and at the latest with the submission of the final report. In no event may the end use jeopardize the sustainability of the Action or result in a profit for the Organisation.

Article 8 - EVALUATION OF THE ACTION

- 8.1 Representatives of the European Commission shall be invited to participate in the main monitoring and in the evaluation missions relating to the performance of the Action. The results of such missions shall be reported to the European Commission.
- 8.2 Article 8.1 is without prejudice to any evaluation mission which the European Commission as a donor may wish to perform. Evaluation missions by representatives of the European Commission should be planned and completed in a collaborative manner between the Organisation's staff and the European Commission's representatives, keeping in mind the commitment of the Parties to the effective and efficient operation of this Agreement. These missions are to be planned ahead and procedural matters are to

be agreed upon by the European Commission and the Organisation in advance. The mission will offer to make a draft of its report available to the Organisation for comments prior to final issuance.

Article 9 - AMENDMENT OF THE AGREEMENT

- 9.1 Any modification to the Agreement, including the annexes thereto, shall be set out in writing in an amendment. This Agreement can only be modified during the execution period set out in Article 2(4) of the Special Conditions.

If the request for an amendment comes from the Organisation, the latter shall submit that request to the Contracting Authority one month before the amendment is intended to enter into force, and in any case no later than one month before the end of the execution period, unless there are special circumstances duly substantiated by the Organisation and accepted by the Contracting Authority.

- 9.2 Where a modification to the Description of the Action and/or the Budget does not affect the basic purpose of the Action and the financial impact is limited to a transfer within a single budget heading, including cancellation or introduction of an item, or a transfer between budget headings involving a variation (as the case may be in cumulative terms) of 15 % or less of the amount originally entered (or as modified by a formal amendment) in relation to each concerned heading for eligible costs, the Organisation may amend the Budget and shall inform the Contracting Authority accordingly in writing. This method shall not be used to amend headings for administrative costs or the contingency reserve.

Changes of address and changes of bank account may simply be notified in writing to the Contracting Authority. Changes of bank account must be specified in the request for payment, using the financial identification form attached as Annex IV.

- 9.3 An amendment shall not have the purpose or the effect of making changes that would call into question the award decision. In cases the Agreement follows a call for proposals the amendment may not be contrary to the equal treatment of applicants or increase the maximum amount referred to in Article 3.2 of the Special Conditions.

Article 10 - CONTRACTING

- 10.1 If parts of the Action are contracted, the contracting arrangements, including in particular the principles for the award of procurement and grants, shall be as specified in the Description of the Action. If they are not specified therein, the Organisation will present them to the Contracting Authority as soon as they are available. The Organisation will also inform the Contracting Authority, with as much prior notice as possible, of changes in these arrangements. The Organisation will provide detailed information on contracting arrangements in the final report.
- 10.2 Unless otherwise agreed by the Parties in writing, the procurement of any goods, works or services and the award of grants by the Organisation and its partners in the context of the Action shall be carried out in accordance with the applicable rules and procedures adopted by the Organisation.

This is based on the understanding that the Organisation's rules and procedures conform to internationally accepted standards, in compliance with the principles of transparency,

proportionality, sound financial management, equal treatment and non discrimination, care being taken to avoid any conflict of interests.

Without prejudice to the specific procedures and exceptions applied by the Organisation, the award by the Organisation of grants financed by the Contracting Authority's contribution shall comply with the following principles:

- grants shall not be cumulative, awarded retrospectively or have the purpose or effect of producing a profit for the grant beneficiary;
- grants must involve co-financing from other donors, save in cases of humanitarian and crisis situation, the protection of health and fundamental rights of people, where the grant beneficiaries are third countries or other international organisations and where it is in the interest of the European Union to be the sole donor.

10.3 Unless otherwise provided for in the Special Conditions, the origin of the goods and the nationality of the organisations, companies and experts selected for carrying out activities in the Action shall be determined in accordance with the Organisation's relevant rules. However, and in any event goods, organisations, companies and experts eligible under the applicable regulatory provisions of the European Union shall be eligible.

10.4 The Organisation shall adopt reasonable measures, in accordance with its own procedures, to ensure that potential candidates or tenderers and grant beneficiaries shall be excluded from the participation in a procurement or award procedure financed by the Contracting Authority's contribution, if :

- a. they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- b. they or persons having powers of representation, decision making or control over them have been convicted of an offence concerning their professional conduct by a judgement of a competent authority of a Member State which has the force of res judicata;
- c. they or persons having powers of representation, decision making or control over them have been the subject of a judgement which has the force of res judicata for fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity detrimental to the EU's financial interests;
- d. they are guilty of misrepresentation in supplying the information required as a condition of participation in the procedure or if they fail to supply this information.
- e. they are subject to a conflict of interests.

The Organisation shall inform the European Commission when a candidate or tenderer is in one of the situations under point (c) or when a contractor financed from the present contribution has been found guilty of making false declarations or committing substantial errors, irregularities and fraud.

Without prejudice to the power of the European Commission or of the Contracting Authority to exclude an entity from future contracts and grants financed by the EU, financial penalties may be imposed to contractors by the Organisation according to its own rules and procedures.

- 10.5 In the event of failure to comply with the above provisions the relevant costs may be declared ineligible for funding by the Contracting Authority or by the European Commission, at the latest before acceptance of the Final Report.

Article 11 - IMPLEMENTATION PERIOD OF THE AGREEMENT, SUSPENSION, FORCE MAJEURE

- 11.1 Irrespective of the starting date and implementation period of the project, programme or action of the Organisation, the Implementation Period of this Agreement shall be as set out in Article 2 of the Special Conditions.
- 11.2 The individual contracts implementing the Action under this Agreement shall be concluded as specified in Article 2.5 of the Special Conditions. This contracting deadline also applies to all the individual contracts signed by the Implementing partner(s). After this contracting deadline and up to submission of Final Report, only contracts concerning final audits, evaluation, closure activities and individual contracts concluded after early termination of an existing contract may be concluded. The deadline for conclusion of individual contracts implementing the Action under the Agreement set out in Article 2.5 of the Special Conditions cannot be extended.
- 11.3 The Organisation may suspend without delay implementation of all or part of the Action if circumstances so require, in particular in case of *force majeure*, and informs the Contracting Authority immediately providing all the necessary details. This Agreement may be terminated in accordance with Article 12.1. If the Agreement is not terminated, the Organisation shall endeavour to minimise the duration of the suspension and may resume implementation of the Action once the conditions allow, and shall inform the Contracting Authority accordingly.
- 11.4 The Contracting Authority may request the Organisation to suspend implementation of all or part of the Action if circumstances so require in particular in cases of *force majeure* and in cases such as crisis entailing a change of policy. This Agreement may then be subsequently terminated in accordance with Article 12.1. If the Agreement is not terminated, the Organisation and the Contracting Authority shall endeavour to minimise the duration of the suspension and shall resume implementation of the Action once the conditions allow, with the prior written approval of the Contracting Authority.
- 11.5 The Implementation Period of this Agreement is automatically extended by an amount of time equivalent to the duration of the suspension. This is without prejudice to any amendments to the Agreement which may be necessary to adapt the Action to the new implementing conditions or to Article 12.1, or to a termination in accordance with Article 12.1.
- 11.6 *Force majeure* shall mean any unforeseeable exceptional situation or event beyond the Parties' control which prevents either of them from fulfilling any of their obligations under this Agreement, was not attributable to error or negligence on their part (or of their partners, contractors, agents or employees), and could not have been avoided by the exercise of due diligence. Defects in equipment or material or delays in making them

available, labour disputes, strikes or financial problems cannot be invoked as *force majeure* by the defaulting party. Neither of the Parties shall be held liable for breach of its obligations under the Agreement if it is prevented from fulfilling them by *force majeure*. Without prejudice to Articles 11.3 and 11.4 above, the Party invoking *force majeure* shall notify the other without delay, stating the nature, likely duration and foreseeable effect, and take any measure to minimise possible damage.

Article 12 - TERMINATION OF THE AGREEMENT

12.1 If, at any time, either Party believes that the purposes of this Agreement can no longer be effectively or appropriately carried out, it shall consult the other Party. Failing agreement on a solution, either Party may terminate this Agreement by serving two months' written notice. In this event, the Organisation shall be entitled to payment of the contribution only for the part of the Action carried out, and to reimbursement of commitments entered into by the Organisation for the implementation of the Action, which the Organisation cannot reasonably terminate on legal grounds. The part of the EU contribution unspent or not spent in accordance with this Agreement, shall be recovered by the Contracting Authority in accordance with Articles 17 and 18, after all liabilities incurred by the Organisation have been satisfied, including interest earned where applicable.

12.2 Where the Organisation:

- fails, without justification, to fulfil any of the obligations incumbent on it and, after being given notice by letter to comply with those obligations, still fails to do so or to furnish a satisfactory explanation within 30 days of sending of the letter;
- fails to comply with articles 1.5, 1.6 or 4;
- makes false or incomplete statements to obtain the contribution provided for in the Agreement or provides reports that do not reflect reality;
- commits financial irregularities or is guilty of grave professional misconduct;
- undergoes legal, financial, technical or organisational change that is liable to affect this Agreement substantially or to call the award decision into question;

the Contracting Authority will enter into discussions with the Organisation and, failing a proper solution within one month, may terminate this Agreement, after giving seven days' notice, and without paying compensation of any kind. In that event the Contracting Authority may demand full or partial repayment of any amounts unduly paid, after allowing the Organisation to submit its observations.

12.3 Prior to or instead of terminating the Agreement as provided for in Article 12.2, the Contracting Authority may suspend payments or the declaration of eligibility of expenses as a precautionary measure, informing the Organisation immediately.

12.4 This Agreement shall be automatically terminated if it has not given rise to a payment by the Contracting Authority (including pre-financing) within two years of its signature.

12.5 Unless this Agreement is terminated earlier pursuant to Article 12, the payment obligations of the European Union hereunder shall cease at the "end date", which shall

occur 18 months after the end of the Implementation Period as defined in Article 2 of the Special Conditions.

The Contracting Authority shall notify the Organisation of any postponement of the end date. The Contracting Authority shall postpone the end date, so as to be able to fulfil its payment obligations, in all cases where the Organisation has filed the payment request in accordance with contractual provisions or, in case of dispute, until completion of the dispute settlement procedure provided for in Article 13.

Article 13 - SETTLEMENT OF DISPUTES

- 13.1 The Parties shall endeavour to settle amicably any dispute or complaint relating to the interpretation, application or fulfilment of this Agreement, including its existence, validity or termination. In default of amicable settlement, any Party may refer the matter to arbitration in accordance with the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States in force at the date of conclusion of this Agreement.
- 13.2 The appointing authority shall be the Secretary General of the Permanent Court of Arbitration following a written request submitted by either Party. The Arbitrator's decision shall be binding on all Parties and there shall be no appeal.
- 13.3 Nothing in this Agreement shall be interpreted as a waiver of any privileges or immunities accorded to any Party hereto by its constituent documents or international law.

FINANCIAL PROVISIONS

Article 14 - ELIGIBLE COSTS

- 14.1 To be considered eligible as direct costs under this Agreement, costs must:
 - be necessary for carrying out the Action, be provided for specifically in this Agreement and comply with the principles of sound financial management, in particular value for money and cost-effectiveness;
 - have been actually incurred during the Implementation Period of this Agreement as defined in Article 2 of the Special Conditions, whatever the time of actual disbursement by the Organisation, in particular:
 - (i) Costs relating to services and works properly provided shall relate to activities performed during the implementation period. Costs relating to supplies shall relate to delivery and installation of items during the implementation period. Consequently, cash transfers between the Organisation and its partners, signature of a contract, placing of an order, or entering into any commitment for future delivery of services, works or supplies undertaken before or after expiry of the implementation period do not meet this requirement.
 - (ii) Except for multi-donor actions, costs incurred should be paid before the submission of the final reports. They may be paid afterwards, provided they are listed in the final report together with the estimated date of payment.

(iii) An exception is made for costs relating to final reports, including expenditure verification, audit and final evaluation of the Action, which may be incurred after the implementation period of the Action.

(iv) Procedures to award contracts, as referred to in Article 10, may have been initiated and contracts may be concluded by the Organisation and its partners before the start of the implementation period of the Action.

- be recorded in the Organisation's or Organisation's partners' accounts, be identifiable, backed by effective supporting evidence (originals, as the case may be in electronic form), and verifiable pursuant to the provisions of Article 16.4.

14.2 Subject to the above and without prejudice to Article 10.5, the following direct costs of the Organisation or its implementing partners may in particular be eligible:

- the cost of staff assigned to the Action, corresponding to actual salaries plus social security charges and other remuneration-related costs (including in the form of provisions made in accordance with the Organisation accounting rules in case of Joint Management Action). Identifiable personnel costs at headquarters level arising as a direct consequence of the Action may be included. Salaries and costs shall not exceed those normally borne by the Organisation or partners;
- travel and subsistence costs for staff taking part in the Action, provided they do not exceed those normally borne by the Organisation or partners;
- purchase costs for equipment (new or used) which are attributable to the Action;
- purchase costs for goods and services (transport, storage and distributing, rent of equipment, etc.) which are directly attributable to the Action;
- costs directly arising out of, or related to, accepting or distributing contributions in kind;
- costs of consumables and supplies directly attributable to the Action;
- expenditure on contracting directly attributable to the Action;
- the proportion of field office costs that corresponds to the amount of activity directly attributable to the Action or to the proportion of funding by the Contracting Authority;
- costs deriving directly from the requirements of this Agreement (dissemination of information, evaluation specific to the Action, specific reporting for the needs of the Contracting Authority, translation, reproduction, insurance, targeted training for those involved in the Action, etc.) including financial service costs (in particular bank fees for transfers).
- taxes, duties and charges, including VAT, actually paid and that the Organisation cannot reclaim (or, where applicable, its partners), unless otherwise provided in the Special Conditions.

14.3 The following costs shall not be considered eligible:

- debts and debts service charges;
- provisions for losses or potential future liabilities;
- interest owed by the Organisation to any third party;
- items already financed from other sources;
- purchases of land or buildings;
- currency exchange losses.

14.4 Indirect costs are eligible provided that they do not include costs assigned to another heading of the budget of this Agreement.

Indirect costs may be charged on the value of in-kind commodities delivered by the Contracting Authority, including their associated costs.

A fixed percentage of direct eligible costs, not exceeding 7 %, may be claimed as indirect costs by the Organisation to cover the administrative overheads incurred for the Action. Funding in respect of indirect costs does not need to be supported by accounting documents.

Subject to the above, for comparable Actions and Actions where there is more than one donor the amount claimed as indirect costs shall not, in percentage terms, be higher or lower than for other comparable contributions.

Where the rates applied in accordance with the Organisation's governing bodies' decisions exceed 7%, the Organisation may recover the balance as direct eligible costs, subject to the provisions governing direct eligible costs referred to in this Article 14 being fulfilled.

Indirect costs shall not be eligible where the Agreement concerns the financing of an action where the Organisation is already receiving an operating grant from the European Union during the period in question.

14.5 Any contingency reserve included in the Budget of the Action, to cover any adjustment necessary in the light of changed circumstances on the ground, may not exceed 5% of eligible costs and shall only be used with the prior written (by letter) authorisation of the Contracting Authority, upon a duly justified request from the Organisation through an exchange of letters.

14.6 Contributions in kind made by the Organisation or its partners may be considered neither as co-financing nor as eligible costs. The cost of staff assigned to the Action is not a contribution in kind and may be considered as co-financing in the Budget for the Action when paid by the Organisation or its partners.

Article 15 - PAYMENTS

15.1 Payment procedures are set out in Article 4 of the Special Conditions and follow one of the two options below:

Option 1: When the implementation period of the Agreement does not exceed 12 months or the contribution is less than EUR 100 000

The Contracting Authority will provide a pre-financing from 80% up to 95% of the sum referred to in Article 3(2) of the Special Conditions less contingencies within 30 days of receiving the Agreement signed by both Parties.

The Contracting Authority will pay the balance within 90 days of receiving a request for payment accompanied by a final report. Approval of the report will be done within 45 days and in accordance with Article 15.2. The Contracting Authority will pay the balance within 45 days of approving the final report.

Option 2: When the implementation period of the Agreement exceeds 12 months and the contribution is of EUR 100 000 or more

The Contracting Authority will provide a pre-financing from 80% to 95% of that part of the budget for the first 12 months of the Action which is being financed by it (excluding contingencies) within 30 days of receiving the Agreement signed by both Parties.

Each further instalment will consist of (1) an interim payment that will cover the remainder of the Contracting Authority's part of the budget for the previous period (including any approved contingencies) and (2) a pre-financing from 80% to 95% of that part of the budget for the subsequent 12-month period (or of the remaining period if shorter as regards the last instalment of pre-financing) which is financed by it (excluding contingencies), provided that at least 70% of the immediately preceding instalment (and 100% of previous instalments if any) has been subject to a legal commitment between the organization or its partner and a third party as proven by the relevant report.

The instalments and final payment will be made by the Contracting Authority within 90 days of receiving a request for payment accompanied by a progress or final report. Approval of any report will be done within 45 days and in accordance with Article 15.2. The Contracting Authority will then pay within 45 days of approving the progress or final report.

- 15.2 Any report will be deemed approved 45 days after receipt, accompanied by a request for payment conforming to the model attached as Annex V, if the Contracting Authority has not reacted.

If the Contracting Authority does not intend to approve a report, as submitted, it shall revert to the Organisation with a request explaining the reason and specifying the additional information it requires within the first 45-day period. The deadline for approving the report shall be suspended pending the receipt of the requested information. If the Contracting Authority deems that a payment request cannot be met, it shall revert to the Organisation with a request explaining the reason and specifying the additional information it requires within the second 45-day period. The payment period shall be suspended pending the registration of a properly formulated payment request.

Reports shall be presented in accordance with Article 2.

Approval of a report does not imply recognition of the regularity, authenticity, completeness and correctness of the declarations and information contained therein.

- 15.3 On expiry of the payment period specified in Article 15.1, the Organisation, shall receive interest on late payment at the rate applied by the European Central Bank to its principal refinancing operations, as published in the C series of the Official Journal of the European Union on the first day of the month in which payment was due, increased by three and a half percentage points.

The interest shall be payable for the period elapsing from the day following expiry of the time limit for payment up to the day of payment. Any partial payment shall first cover the interest.

By way of exception, when the interest calculated in accordance with this provision is lower than or equal to EUR 200, it will be paid to the Organisation only upon demand submitted within two months of receiving late payment.

The interest shall not be treated as an income for the purposes of determining the final amount of European Union financing within the meaning of article 17. The suspension of payment by the Contracting Authority may not be considered as late payment.

- 15.4 The level of pre-financing referred to in Article 15.1 above shall be set at a level of between 80% and 95 % in 5% increments taking into account past record of the Organisation in particular as regards timely submission of the final report.
- 15.5 The Contracting Authority will make payments in Euro into the bank account referred to in the financial identification form in Annex IV. Where payment is to be made to a bank account which is already known to the Contracting Authority, the Organisation may provide a copy of the relevant financial identification form.
- 15.6 Where feasible, the funds paid by the Contracting Authority shall be maintained in Euro denominated bank accounts. They may be pooled together with contributions from other donors. They may be exchanged for other currencies in order to facilitate their disbursement.
- 15.7 Where according to the Special Conditions interest earned by the Organisation on funds received from the Contracting Authority is due, it shall be deducted from the payment of the balance, re-used for the Action or recovered by the Contracting Authority. In that case, interest shall be identified as such and reflected in reports to the Contracting Authority.

Article 16 - ACCOUNTS AND TECHNICAL AND FINANCIAL CHECKS

- 16.1 The Organisation shall keep accurate and regular records and accounts of the implementation of the Action. Separate accounts or sub-accounts shall be kept for each Action, and shall detail all income generated by the Action, donor contributions and expenditure.

The accounting regulations and rules of the Organisation shall apply, provided that these regulations and rules conform to internationally accepted standards.

- 16.2 Financial transactions and financial statements shall be subject to the internal and external auditing procedures laid down in the Financial Regulations, Rules and directives of the Organisation. A copy of the audited financial statements shall be submitted to the European Commission by the Organisation.

- 16.3 The Organisation shall, until at least five years after the end date as specified in article 12.5:
- keep financial accounting documents concerning the activities financed by the contribution and,
 - make available to the competent bodies of the European Union, upon request, all relevant financial information, including statements of accounts concerning the Action, whether they are executed by the Organisation or by its implementing partners or contractors.
- 16.4 In conformity with its financial regulations, the European Union, including its Court of Auditors, may undertake, including on the spot, checks related to the Actions financed by the Contracting authority.
- 16.5 These provisions shall be applied in accordance with any specific agreement concluded in this respect by the Organisation and the European Union.

Article 17 - FINAL AMOUNT OF FINANCING BY THE CONTRACTING AUTHORITY

- 17.1 The total final amount to be paid by the Contracting Authority to the Organisation shall not exceed the maximum contribution established by Article 3(2) of the Special Conditions, even if the overall costs incurred exceed the estimated total budget set out in Annex III.
- 17.2 Where Article 3(2) of the Special Conditions sets out a maximum percentage of estimated total eligible cost to be financed by the Contracting Authority, and if the eligible costs at the end of the Action are less than the estimated total cost specified in Article 3(1) of the Special Conditions, the contribution of the Contracting Authority shall be limited to the amount resulting from multiplying the eligible costs by the percentage laid down in Article 3(2) of the Special Conditions.

Where the percentage set out in article 3(2) of the Special Conditions is likely to change in the course of implementation, the Organisation shall consult the Contracting Authority without delay so as to agree on appropriate measures, in accordance with Article 9.

- 17.3 The Organisation accepts that the contribution of the Contracting Authority shall be limited to the amount required to balance income generated by the Action, donor contributions and expenditure for the Action and that it may not in any circumstances result in a surplus for the Organisation.

In the event of a final surplus balance of total financing over expenditures at the financial closure of the Action, the Organisation shall specify in the final report the amount of the surplus balance in the holding currency used by the Organisation together with the estimated amount in Euro and where the exchange rate of the Organisation can be consulted. This surplus in the Organisation's accounts expressed in holding currency used by the Organisation shall be converted into Euro using the rate of exchange of the Organisation in force on the day when the Contracting Authority's internal recovery order is established, which amount is later reflected in the debit note sent to the Organisation. The resulting Euro equivalent shall then be refunded to the Contracting Authority. This provision shall not apply to the exchange rates used for reporting.

- 17.4 In cases where the Action is suspended or not completed within the Implementation Period of this Agreement, the funds that remain unexpended after all liabilities incurred in this period have been satisfied will be reimbursed to the Contracting Authority, including, where applicable, interest earned.
- 17.5 Where the Action is not carried out at all, or is not carried out properly, in full or on time and without prejudice to its right to terminate this Agreement pursuant to Article 12.2, the Contracting Authority may, after allowing the Organisation to submit its observations and without prejudice to Article 13, reduce the contribution pro rata the actual implementation of the Action on the terms laid down in this Agreement.

Article 18 - RECOVERY

- 18.1 Where recovery is justified, the Organisation shall repay to the Contracting Authority within 45 days of the issuing of a letter (debit note) by which the Contracting Authority reclaims from the Organisation, any amounts paid in excess of the final amount due.
- 18.2 If the Organisation fails to repay by the due date, the sum due shall bear interest at the rate indicated in article 15.3. The interest shall be payable for the period elapsing from the day following expiry of the time limit for payment up to the day of payment. Any partial payment shall first cover the interest.
- 18.3 Amounts to be repaid to the Contracting Authority may be offset against amounts of any kind due to the Organisation, after informing it accordingly. The Organisation's prior consent is not required. This shall not affect the Parties' option to agree on payment in instalments.
- 18.4 Bank charges incurred from the repayment of amounts due to the Contracting Authority shall be borne entirely by the Organisation.

Annex III

Total Budget of the Action

Components	Amount in Euros	Amounts in US\$
1. Retrofit of government buildings with RE and EE technologies and public lights with EE technologies		
1.1. EE Retrofits for Public Lights	7,563,945	9,977,638
1.2. EE Retrofits for Public Buildings	3,146,073	4,150,000
1.3. Solar PV for Public Buildings	4,169,494	5,500,000
2. Pilot project and studies for encouraging the use of RE		
2.1. Public Electric Vehicles with solar PV	227,426.9	300,000
2.2. Ocean Power Studies	758,000.3	999,882
3. Capacity building, institutional strengthening, public awareness and Project management		
3.1. Capacity Building, Institutional Strengthening, and Public Awareness	1,288,753	1,700,000
3.2. Monitoring & Evaluation and Project Management	1,253,335	1,653,280
4. Administrative Fee (5% of the EC Contribution)	290,500	383,200
Total	18,697,526 ¹	24,664,000

¹ The amount of IDB's approved contribution is US\$ 17,000,000. IDB will provide an updated and detailed budget specifying activities per component and will provide it to the European Union as soon available.

Annex IV
Financial Identification Form



FINANCIAL IDENTIFICATION

PRIVACY STATEMENT http://ec.europa.eu/meda/meda/annex/financial/privacy_statement_en.pdf

ACCOUNT NAME (3)	
ACCOUNT NAME (1)	IADB-ECK
ADDRESS	
TOWN/CITY	LONDON, GB
POSTCODE	
COUNTRY	UNITED KINGDOM

(1) The name or title under which the account has been opened and not the name of the authorized agent

CONTACT	GUSTAVO OLMEDO	
TELEPHONE	(202) 523 2199	FAX
E-MAIL	GUSTAVOO@IADB.ORG	

BANK	
BANK NAME	JPMORGAN CHASE BANK, N.A.
BRANCH ADDRESS	
TOWN/CITY	LONDON, GB
POSTCODE	
COUNTRY	UNITED KINGDOM
ACCOUNT NUMBER	GB42CHAS60924241017784
IBAN (2)	GB42CHAS60924241017784

(2) If the IBAN Code (International Bank account number) is applied in the country where your bank is situated

REMARKS:

For and behalf of

<p><small>BANK STAMP + SIGNATURE OF BANK REPRESENTATIVE (Both obligatory)</small></p> <p align="center">JPMORGAN CHASE BANK</p> <p align="center"><i>[Signature]</i></p> <p align="center">AUTHORISED SIGNATORY</p>	<p><small>DATE + SIGNATURE OF ACCOUNT HOLDER: (Optional)</small></p> <p align="center"><i>[Signature]</i></p> <p align="center">GUSTAVO OLMEDO PRINCIPAL OFFICER</p>
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(3) It is preferable to attach a copy of recent bank statement. Please note that the bank statement has to provide all the information listed above under 'ACCOUNT NAME' and 'BANK'. In this case, the stamp of the bank and the signature of the bank's representative are not required. The signature of the account-holder is obligatory in all cases.

Annex V

**Request for payment for contribution agreement
with an international organisation**

Date of the request for payment <.....>

For the attention of
<Address of the Contracting Authority>
<Financial unit indicated in the Agreement>¹

Reference number of the Agreement: ...

Title of the Agreement: ...

Name and address of the Organisation: ...

Request for payment number: ...

Period covered by the request for payment: ...

Dear Sir/Madam,

I hereby request payment of prefinancing/interim payment/balance² under the Agreement mentioned above.

The amount requested is [as indicated in Article 4(2) of the Special Conditions of the Agreement/the following: ...]³

Please find attached the following supporting documents:

- narrative and financial progress report (for prefinancing / interim payments)
- final narrative and financial report (for payment of the balance)⁴

The payment should be made to the following bank account:...⁵

Please when making the payment indicate the following communication: ...

I hereby certify on honour that the information contained in this request for payment is full, reliable and true, that the costs incurred can be considered eligible in accordance with the Agreement and that this request for payment is substantiated by adequate supporting documents that can be checked.

Yours faithfully,

<signature>

¹ If applicable, please do not forget to address a copy of this letter to the European Union Delegation mentioned in Article 5 of the Special Conditions of the Agreement.

² Delete the options which do not apply.

³ Delete the option which does not apply.

⁴ Delete the items which do not apply.

⁵ Indicate the account number shown on the identification form annexed to the Agreement. In the event of change of bank account, please complete and attach a new identification form as per model.