

ADMINISTRATION AGREEMENT

between

THE NORDIC DEVELOPMENT FUND

and

THE INTER-AMERICAN DEVELOPMENT BANK

regarding the project:

“Grant Co-financing Contribution to the Inter-American Development Bank for Project RG-T1887, titled “Energy Innovation Contest – IDEAS Program Phase II (RG-X1197)”

THIS ADMINISTRATION AGREEMENT is entered into between the Nordic Development Fund (“NDF”), and the Inter-American Development Bank (the “Bank”) (together referred to as the “Parties”, and individually either of them, a “Party”).

WHEREAS, the Bank has designed and approved project RG-T1887, titled “Energy Innovation Contest – IDEAS Program Phase II” (RG-X1197) (the “Project”), as described in the attached Project Document (the “Project Document”);

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

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

NOW, THEREFORE, the Parties hereby agree as follows:

TRANSFER AND MANAGEMENT OF FUNDS

1. NDF will make available to the Bank a contribution of EUR 200,000 (two hundred thousand Euros) (the “Contribution”) to be administered by the Bank to finance the Project.
2. The Contribution will be solely for the purposes indicated in the Project Document. Any material deviations from the objectives and activities of the Project described in the Project Document will require NDF’s written approval.
3. Following the signature of this Administration Agreement by the Parties, NDF shall, transfer the Contribution to the Bank in one single installment, upon the Bank’s written request. The Contribution will be deposited in an account indicated by the Bank in writing. Upon receipt of such deposit, the Bank will convert the amount of the Contribution into United States dollars and will deposit them into an account held by the Bank in said currency for the administration of the Contribution (the “Account”).
4. The Bank will administer the Contribution in accordance with the provisions of this Administration Agreement and the Bank’s applicable policies and procedures, including those applicable for third party resources administered by the Bank. The Bank will exercise the same care in the discharge of its functions, as described in this Administration Agreement, as it exercises with respect to the administration and management resources from other donors and will have no further liability to NDF in respect thereof.

5. a) The Contribution will be accounted for separately from the Bank's assets, and will be administered separately from other contributions received by the Bank, but may be commingled with other contributions from NDF.

b) The Bank may freely exchange the Contribution funds into other currencies as may facilitate their administration and disbursement. The Bank will not be responsible for foreign exchange risk in the receipt, conversion or administration of Contribution funds. Any adverse impacts of potential foreign currency fluctuations during the implementation period shall be discussed by the Parties and appropriate remedial measures and amendments shall be negotiated if necessary. Notwithstanding the foregoing, neither NDF nor the Bank shall be obliged to contribute any additional funds as a result of any foreign currency fluctuations.

c) Pending disbursement in connection with the Project, the Bank may at its discretion invest and reinvest the resources of the Contribution, following the Bank's investment policies, procedures and practices. Income earned from such investment and reinvestment shall be credited to the Account and returned to NDF, upon request from NDF or when the Account is closed, whichever occurs later.
6. To assist in the defrayment of the administrative costs in relation to the Contribution, the Bank will charge and retain a fee equal to five percent (5%) of the total amount of the Contribution, which may be withdrawn by the Bank from the Contribution, once the Contribution is converted into United States dollars. In addition, the Bank may also use the resources of the Contribution to cover the costs charged to the Bank related to the maintenance and transactions of the Account.

IMPLEMENTATION

7. The Bank's policies and procedures will be applicable to any relevant operational, financial and fiduciary aspects of the Project, including the procurement of goods, works, and consulting and other services, carried out with the Contribution, as required by the different components of the Project. Further, NDF accepts that:
 - a) the resources of the Contribution will be completely untied; and
 - b) the consultancy services financed with the Contribution may be provided and executed by companies, specialized institutions or individuals from any Bank member country.
8. The Bank shall inform NDF of any review missions undertaken by it related to the Contribution and provide to NDF a report setting out the main findings or results of such mission. The Bank shall invite NDF to join any Project review missions, including supervision missions and the mid-term review during the implementation of the Project and upon its completion. NDF shall be responsible for its own costs and obtaining any official approvals that may be required with respect to participation in any Project review missions.

9. NDF will not be responsible for the activities of any person or third-party engaged by the Bank as a result of this Administration Agreement, nor will NDF be liable for any costs incurred by the Bank in terminating the engagement of any such person.

REPORTING AND AUDIT

10. The Bank shall provide NDF with:

- a) reports on implementation of the activities funded under the Contribution and other reports and information as NDF may reasonably request concerning the progress of the Project that the Bank can provide in its normal course of business, and ii) promptly, no later than six months following the completion of the Project, a final Project report;

- b) at least semi-annually non-audited activity or financial reports of the Project, as such reports are provided by the Project's executing agency to the Bank, pursuant to the technical assistance or financing agreement entered between the executing agency and the Bank and, ii) promptly, and no later than six months from financial closure of the Project, a terminal financial report showing the receipts, income and expenditures under the Account and the remaining balance, if any. The Bank may provide a copy of any audited reports of the Project available to the Bank; and

- c) should NDF require an external audit of the Account, NDF shall request the Bank for such an external audit in writing upon completion of the Project. The cost of this audit shall be charged against the Account, provided funds are available after settlement of all expenditures related to the Project. Alternately, upon agreement by NDF and the Bank the cost of such external audit shall be paid separately by NDF.

CONSULTATIONS, AMENDMENTS, TERMINATION AND DISPUTE SETTLEMENT

11. As soon as possible upon completion of the Project, the Bank shall return to NDF any remaining uncommitted Contribution funds, including, if applicable, any income from investment or reinvestment in accordance with Article 5(c) above, unless otherwise agreed to in writing by the Parties.
12. For the avoidance of doubt, the Bank hereby confirms that the Project has obtained all necessary internal approvals and no further action is pending.
13. The Bank shall endeavor to maximize opportunities to highlight the identity of NDF's contribution to the Project (e.g., through related signage, documentation and public information about the activities, including the use of NDF's logo), and invite NDF representatives to participate in key events related to the Project. NDF shall be responsible for its own costs with respect to any participation in such events, unless the NDF and the Bank agree otherwise in a case-by-case basis.

14. a) The Bank shall inform NDF promptly of any condition which significantly interferes, or threatens to interfere, with the performance by the Bank of its commitments under this Administration Agreement.

b) The Bank shall notify and consult with NDF whenever the Bank identifies a major change of scope in relation to any activities financed under the Contribution. If any such changes occur, which in the opinion of the Bank or NDF impairs significantly the developmental value of the Project, NDF and the Bank shall consult on measures to resolve the problem and possible courses of action. In the event of such changes, NDF, however, may decide to terminate this Administration Agreement or agree with the Bank on an amendment thereof.

15. The offices responsible for coordination of all matters and receiving any notice or request in writing in connection with this Administration Agreement or the Project will be the following:

a) For the Bank:

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

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

ii. Day-to-day communications regarding the implementation of this Administration Arrangement will be directed to:

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

b) For NDF:

Nordic Development Fund

P.O Box 185, Fabianinkatu 34FIN - 00171 Helsinki
FINLAND

Attention: Managing Director
Tel.: ++358 618 002
Fax: ++ 358 9 622 1491
E-mail: info.ndf@ndf.fi

16. This Administration Agreement will come into force on the date of its signature by each of the Parties and shall remain in full force and effect until the date on which the Contribution has been fully disbursed by the Bank and all activities financed under the Contribution shall have been completed as set out in the Project Document. An estimated execution timetable is stated in the Project Document.
17. If at any time either Party determines that the purposes of this Administration Agreement can no longer be effectively or appropriately carried out either Party may give notice of termination of this Administration Agreement. Such termination shall enter into effect three (3) months after notice has been received, subject to the settlement of any outstanding obligations made prior to the notice being received. In the event of termination by either Party, both Parties shall cooperate to ensure that all arrangements made hereunder are settled in a fair and orderly manner. Upon termination the Bank shall return the Contribution funds to NDF in accordance with Article 11 above.
18. The Parties may amend any provision of this Administration Agreement in writing.
19. Subject to consultation with the other Party and their respective policies and procedures with respect to the disclosure of information, the Parties may make this Administration Agreement publicly available.
20. Nothing in this Administration Agreement may be construed as creating an agency relationship between the Parties.
21. The Parties acknowledge and agree that the Contribution constitutes the sole financing for the Project provided by NDF. The Administration Agreement will be considered joint financing for purposes of the provisions of the "Cooperation Agreement between the Nordic Development Fund and the Inter-American Development Bank for the Cofinancing of Programs and Projects", amended and restated as of January 26, 2010 (the "NDF-IDB Cofinancing Agreement"). For the avoidance of doubt, the provisions of NDF-IDB Cofinancing Agreement will apply to this Administration Agreement, except that in the event of conflict, the provisions of this Administration Agreement will prevail.
22. The Parties will seek to settle amicably any disputes that may arise from or relate to this Administration Agreement.

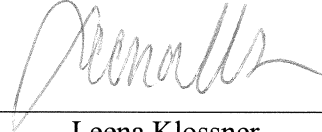
IN WITNESS WHEREOF, the Nordic Development Fund and the Inter-American Development Bank, each acting through its duly authorized representative, have signed this Administration Agreement in two (2) original counterparts in the English language, in Washington D.C., on this Thursday October 3, 2013.

**NORDIC DEVELOPMENT
FUND**



Pasi Hellman
Managing Director

**NORDIC DEVELOPMENT
FUND**



Leena Klossner
Deputy Director

**INTER-AMERICAN
DEVELOPMENT BANK**



Bernardo Guillamon
Manager
Office of Outreach and Partnerships

TC ABSTRACT
IDEAS Program Phase II

I. Basic project data

- Country/Region: Regional
- TC Name: Energy Innovation Contest – IDEAS Program Phase II
- TC Number: RG-T1887
- Team Leader/Members: Arnaldo Vieira de Carvalho – Team Leader (INE/ENE); Jose Ramon Gomez - Co-Team Leader (ENE/CCO); Federica Bizzocchi (INE/ENE); Silvana Capuzzo (INE/ENE), Lauro Lage-Filho (INE/ENE), Gregory Watson (MIF/MIF) and Javier Jimenez (LEG/SGO).

- Indicate TC type: Research and Dissemination
- Date of TC Abstract: March 31, 2013
- Beneficiary: Regional - All countries
- Executing Agency and contact name: INE/ENE (Arnaldo Vieira de Carvalho)
- IDB Funding Requested: Nordic Development Fund (NDF): US\$ 260,000
To be defined: US\$ 740,000
 Total: US\$1,000,000

- Disbursement period: 38 months
- Required start date: April 30, 2013
- Types of consultants: Eligible institutions in Latin America and the Caribbean (LAC) selected in accordance with the criteria established in the IDEAS Program

- Prepared by Unit: INE/ENE
- Unit of Disbursement Responsibility: INE/ENE
- Included in Country Strategy (y/n): N
- TC included in CPD (y/n): N
- GCI-9 Sector Priority: It will contribute to GCI-9 Sector Priorities (i) Social policy for equity and productivity; (ii) Infrastructure for competitiveness and social welfare and (iii) Protect the environment, respond to climate change, promote renewable energy, and ensure food security

II. Objective and Justification

The general objective of the IDEAS Program is to promote innovative energy solutions that could be replicated and scaled up in LAC. More specifically, the IDEAS Program supports implementation of innovative projects in the areas of Renewable Energy (RE), Energy Efficiency (EE) and Energy Access (EA) in LAC, selected through online contests according to published criteria. The contests are open to individuals and organizations, both private and governmental, from all IDB Member countries, which want to submit a proposal requesting support to develop innovative energy project ideas and concepts.

Traditionally, innovations have been developed in rich countries, and targeted at high income markets. As the president of the International Development Enterprises (IDE), Paul Polak, says: "90% of the people who design things work on the problems of the world's richest 5% - there is a huge need to design things that will create a market for the poorest 4 billion people." The positive correlation between poverty and lack of innovations is well known. This correlation means that "poverty reduces the number of people with sufficient human and physical capital needed to produce innovations", and not that poor people are less creative.

Despite the potential for developing RE projects, improving EE and adaptation to climate change, many countries in LAC face technical and financial barriers to supporting the development and implementation of such projects. It is local innovation, however, and the adaptation of existing technologies to local circumstances, that are key to boosting the competitive supply of sustainable energy services and tackling environmental concerns. Overcoming this bottleneck through supporting such initiatives will have a tangible impact on the local area, increasing access to energy whilst supporting the development of a sustainable economy and reducing poverty.

In this context, IDB launched the IDEAS Program in 2009 in close coordination and support from external donors (initially GVEP International and the German International Cooperation Agency - GIZ), providing funding directly to IDEAS winners selected in common agreement with all sponsors.

Internally to IDB, the IDEAS Program was initially implemented through the operation RG-T1642, with funds from the Knowledge Partnership Korea Fund for Technology and Innovation - KPK (ATN/KK-11514-RG) and the Sustainable Energy and Climate Change Multidonor Fund - MSC (ATN/MC-11513-RG) with a cumulative IDB approved funding of US\$2,500,000 as of March 31, 2013.

These resources combined with additional sponsorship from the Government of Mexico (through the Mexican Energy Secretariat - SENER in cooperation with the Sustainable Energy Fund - FSE) and UKaid from the Department of International Development (DFID) made possible the launch of two additional contests (in 2011 and 2012).

The IDEAS Program provided grants varying between US\$80,000 to US\$400,000 per winner, totalizing so far US\$9 million for 43 winners, selected from almost 2,000 proposals received in three contests. Starting from the second contest, all proposals have been submitted online, incorporating improvements to better filter eligible proposals, facilitate online evaluation of proposals, and monitoring & evaluation of the winning projects implementation.

Given the continuing popularity of the IDEAS contest in the LAC region, the IDB will launch a fourth contest in 2013, with existing funding from the KPK (US\$500,000 authorized in December 14, 2012 under operation RG-T1642 ATN/KK-11514-RG) and new external funding by GDF Suez.

In order to make possible to increase in the number of winners for this fourth contest, promote the call for proposals in target countries, improve monitoring & evaluation of winning projects, and ensure sustainability of the IDEAS Program, the present technical cooperation (TC) project is requesting additional resources (US\$1,000,000). The Nordic Development Fund (NDF) - Small Grants Facility has signaled its interest to support this fourth contest with US\$260,000, but the IDEAS project team is requesting additional support from other donors (US\$740,000) for the IDEAs Program consolidation and sustainability in future years.

III. Description of activities and outputs

The proposed activities will be developed in two phases: (i) an initial phase that includes the call for proposals, a number of launches throughout LAC with support from the IDB country offices and Program sponsors to ensure optimal outreach; and the selection of the award winners; and, (ii) a second phase focused on the award of the grants, monitoring, evaluation and implementation of the individual winning projects.

In the initial phase, applicants must submit a brief proposal (less than 10 pages) electronically via the www.iadb.org/ideas web page, in English, Spanish, Portuguese or French. Submitted proposals that meet the pre-defined eligibility criteria will be technically reviewed by a team consisting of members of the IDB, the other donors and invited external experts.

In the technical review, experts evaluate and rank the proposals applying the following assessment criteria: (i) the degree of innovation; (ii) developmental impact with respect to economic, social, gender and environmental issues; (iii) scalability, replicability and financial sustainability, including climate change mitigation and adaptation impacts; (iv) institutional capacity and quality of the proposals; (v) the implementation strategy; and (vi) degree of projected risks. At the end of the technical review the evaluators will discuss and validate the common ranking and

appoint the finalist proposals. These finalist proposals will be reviewed by a high-level technical committee of managers and experts which awards the winners.

In the second phase of the contest, the contracts will be signed and all projects will be continuously implemented, monitored and evaluated.

The IDEAS team (INE/ENE) is working in partnership with the Multilateral Investment Fund (MIF) since 2009 to promote the future of the winning proposals; some of IDEAS winners can become businesses that eventually go on to be providers in the MIF EcoMicro program as suppliers.

This TC is consistent with the IDB strategies for LAC, especially with: (i) the Strategy on Sustainable Energy and Climate Change (SECCI Strategy, document GN-2435-6); and (ii) the Strategy for employment, poverty reduction and social development (document GN-2426). This TC will also promote gender integration, taking into account IDB's Operational Policy on Gender Equality in Development of November 3, 2010. The Program particularly supports the emphasis of these strategies/policy on: (i) climate change mitigation; (ii) the line of action of proactive action for gender equality; and (iii) productive and social inclusion of the poor. The search and selection of innovative projects for RE/EE and bioenergy is in line with paragraphs 4.2, 4.3, 4.4 and 4.5 of the SECCI Strategy, which states the development of new technologies or methods that can provide replication throughout the LAC region.

The execution period of this TC is 36 months, and the disbursement period 38 months. The IDB through INE/ENE oversees the implementation of the IDEAS Program. Individual projects and project ideas on RE, EE and EA granted under the Program are executed by individuals and organizations, both private and governmental, from all IDB Member countries.

IV. Budget

The proposed TC requests US\$1,000,000 to accomplish the specific components as follows:

Component/Activity	IDB (US\$)		Counterpart (US\$) *	Total Funding (US\$)
	NDF	other donors		
Component I – Call for proposals/launches/winners selection/contest promotion				
Contest web page design, proposals format, selection criteria definition, launches, announcements, publications, evaluation of proposals	17,000	90,000	60,000	167,000
Component II – Award of grants, M&E and implementation of projects				
Award of grants	200,000	500,000	400,000	1,100,000
M&E and implementation of projects, publications	20,000	50,000	40,000	110,000
other				
Program coordination/ M&E supervision	10,000	100,000	50,000	160,000
Admin. Fee	13,000	-	-	13,000
Sub total	260,000	740,000	550,000	1,550,000
Total (US\$)	1,000,000		550,000	1,550,000

*Note: resources from winners and participating countries (in kind) and external partners.

V. Executing agency and execution structure

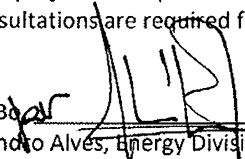

Given the regional characteristic of this TC, and lessons learned from the previous contests, the IDB will directly execute this TC in order to provide a centralized coordination of the activities. Several other IDB areas have already come together to support the first IDEAS contests and will continue to be involved in supporting the various activities, including the Sustainability and Climate Change Division (INE/CCS), the Office of Outreach and Partnership (ORP) and MIF.

VI. Project Risks and issues

The major risk for this project is that the initiative loses momentum if applicants do not see and gain value from the activities related to the initiative and the number and quality of proposals drastically reduce compared with previous contests. The adoption of RE, EE and AE are among the top priorities of the LAC region and have been sufficiently addressed and their importance underscored in the countries energy policy. The announcements of the IDEAS contest with the planned launches helps to mitigate this risk by promoting the call for proposals in the region together with the IDEAS sponsors providing promotional avenues for its success as in previous contests.

VII. Environmental and Social Classification

The project is expected to receive a category C classification. No environmental assessment studies or consultations are required for Category "C" operations.


Vo.Bo. 
Leandro Alves, Energy Division Chief