

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF 028955 CE
GEF Trust Fund Grant Agreement Related to Credit Number 2938 CE

Global Environment Facility
Trust Fund Grant Agreement

(Energy Services Delivery Project)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as an Implementing Agency of the Global
Environment Facility

Dated April 22, 1997

GEF TRUST FUND GRANT NUMBER TF 028955 CE
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GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated April 22, 1997, between DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an Implementing Agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements are continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank establishing the GEF Trust Fund;

(C) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to the Development Credit Agreement, has requested assistance from the resources of the GEF Trust Fund in the financing of the Project, and the Bank has

determined that such assistance would be in accordance with the provisions of Resolution No. 94-2 referred to above; and

(D) the Recipient has also requested the International Development Association (the Association) to provide additional financing towards the financing of the Project described in Schedule 2 to the Development Credit Agreement, and by an agreement of even date herewith between the Recipient (therein referred to as the Borrower) and the Association, the Association has agreed to provide such assistance in an aggregate principal amount equivalent to sixteen million nine hundred thousand Special Drawing Rights (SDR 16,900,000); and

(E) Parts B and C of the Project will be carried out by the Ceylon Electricity Board (CEB) with the Recipient's assistance and, as part of such assistance, the Recipient will make available to CEB part of the proceeds of the Grant as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend a GEF Trust Fund Grant (the Grant) to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01 (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
 - (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (18) and (20), 2.02 and 2.03;
 - (iii) Section 3.01;
 - (iv) Section 4.01 and the first sentence of Section 4.09;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i) and (k), 6.03, 6.04 and 6.06;
 - (vii) Section 8.01 (b);
 - (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
 - (ix) Sections 10.01, 10.03 and 10.04;
 - (x) Article XI; and
 - (xi) Sections 12.01 (c), 12.03 and 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) a new paragraph shall be added to the end of Section 2.01 to read as follows: "the term "Special Drawing Rights" and the symbol "SDR" mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement";
 - (ii) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Bank acting as an implement-

ing agency of the GEF, except that in Section 6.02, the term "Bank" shall also include the Bank acting in its own capacity;

- (iii) the term "Borrower", wherever used in the General Conditions, means the Recipient;
- (iv) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;
- (v) the term "Loan" and "loan", wherever used in the General Conditions, means the GEF Trust Fund Grant;
- (vi) the term "Loan Account", wherever used in the General Conditions, means the GEF Trust Fund Grant Account;
- (vii) The second sentence of Section 5.01 is modified to read:

"Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.";

- (viii) a new subparagraph is added after subparagraph (j) in Section 6.02 of the General Conditions, as follows:
"an extraordinary situation shall have arisen in which any further disbursement under the Grant would exceed the resources available for disbursement from the GEF Trust Fund."; and
- (ix) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account shall have been suspended with respect to any amount of the GEF Trust Fund Grant for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Recipient, that an amount of the GEF Trust Fund Grant will not be required to finance the Project's costs to be financed out of the proceeds of the GEF Trust Fund Grant, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the GEF Trust Fund Grant, that corrupt or fraudulent practices were engaged in by representatives of the Recipient or of a beneficiary of the GEF Trust Fund Grant during the procurement or the execution of such contract, without the Recipient having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the GEF Trust Fund Grant, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the GEF Trust Fund Grant is inconsistent with the procedures set forth or referred to in the GEF Trust Fund Grant Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the GEF Trust Fund Grant, or (e) after the Closing Date, an amount of the GEF Trust Fund Grant shall remain unwithdrawn from the

GEF Trust Fund Grant Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the GEF Trust Fund Grant, the Bank may, by notice to the Recipient and the Guarantor, terminate the right of the Recipient to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the GEF Trust Fund Grant shall be canceled."

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions, the Recitals to this Agreement, and the Development Credit Agreement (as such term is defined hereinafter) have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Development Credit Agreement" means the agreement of even date herewith between the Recipient and the Association for the Project, as such agreement may be amended from time to time; and such term includes the "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Development Credit Agreement;

(b) "Project Agreement" means the agreement of even date herewith between the Association, the Bank and CEB, as such agreement may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement;

(c) "Special Accounts" means both of the accounts referred to in Section 2.02 (b) of this Agreement;

(d) "Subgrant" means the portion of the proceeds of the Grant provided through a Participating Credit Institution to an Investment Enterprise for off-grid solar home system and village-hydro Investment Projects, in accordance with the Operating Guidelines, paragraph 1 of Schedule 3 to this Agreement and the terms of the participation agreement entered into between such Participating Credit Institution and the Recipient; and

(e) "Investment Project Preparation Grant" means the portion of the proceeds of the Grant provided through a Participating Credit Institution to an Investment Enterprise for preparation of feasibility studies, business plans and Subloan documentation in respect of off-grid solar home system and village-hydro Investment Projects, in accordance with the Operating Guidelines, paragraph 1 of Schedule 3 to this Agreement and the terms of the participation agreement entered into between such Participating Credit Institution and the Recipient.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Grant in an amount in various currencies equivalent to four million two hundred thousand Special Drawing Rights (SDR 4,200,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for carrying out the Project and to be financed out of the proceeds of the Grant.

(b) The Recipient may, for the purposes of each of Part A and Parts B and C of the Project, open and maintain in dollars two special deposit accounts, being Special Account A for Part A of the Project and Special Account B for Parts B and C of the Project, in its Central Bank on terms and conditions satisfactory to the Bank.

Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 2 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2002 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) Subject to paragraph (b) of this Section, Sections 3.01, 3.02 and 4.01 of the Development Credit Agreement and Schedules 2 and 4 thereto, and Section 2.02 of the Project Agreement and Schedule 2 thereto, are incorporated in the Grant Agreement, with the following modifications in said Sections and Schedules unless the context otherwise requires:

- (i) the term "Association" shall be read as "Bank";
- (ii) the term "Credit" and "Credit Account" shall be read as "Grant" and "Grant Account"; and
- (iii) the term "this Agreement" shall be read as "the Development Credit Agreement" or "the Project Agreement", as the case may be.

(b) So long as any part of the Credit provided for under the Development Credit Agreement shall remain outstanding, and unless the Recipient has been notified otherwise by the Bank:

- (i) all actions taken, including approvals given, by the Association pursuant to any of the Sections of, and Schedules to, the Development Credit Agreement enumerated in paragraph (a) of this Section shall be deemed to be taken or given in the name and on behalf of both the Association and the Bank; and
- (ii) all information or documentation furnished by the Borrower to the Association pursuant to the provisions of any of such Sections of the Development Credit Agreement or Schedules thereto shall be deemed to be furnished to both the Association and Bank.

Section 3.02. (a) The Recipient shall make available to each Participating Credit Institution the amount out of the proceeds of the Grant corresponding to the aggregate amount of Subgrants and Investment Project Preparation Grants approved to be made by such Participating Credit Institution from time to time, under the participation agreement entered into between the Recipient and such Participating Credit Institution, under terms and conditions which shall have been approved by the Bank which shall include the terms and conditions set forth in Schedule 3 to this Agreement.

(b) The Recipient shall make available a part of the proceeds of the Grant allocated from time to time to Part A of the Project to the AU under terms and conditions which shall have been approved by the Bank, which shall include the terms and conditions set forth in Schedule 3 to this Agreement.

(c) The Recipient shall make available a part of the proceeds of the Grant allocated from time to time to Parts B and C of the Project to CEB under terms and conditions which shall have been approved by the Bank.

Section 3.03. The Recipient and the Bank hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts B and C of

the Project shall be carried out by CEB pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Recipient shall, and shall cause the AU to, utilize the proceeds of the Grant in accordance with the Operating Guidelines.

ARTICLE IV

Remedies of the Bank

Section 4.01. Pursuant to Section 6.02 (k) of the General Conditions, the events set out in Section 5.01 of the Development Credit Agreement are specified as additional events, provided, however, that the term "Association" wherever it appears in such Section shall be read as "Bank".

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely that all conditions precedent to the effectiveness of the Development Credit Agreement have been fulfilled.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.03. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

Section 5.04. If the Development Credit Agreement terminates prior to the termination of this Agreement, the provisions of the Development Credit Agreement referred to in this Agreement shall continue in full force and effect between the Recipient and the Bank.

ARTICLE VI

Representative of the Recipient; Addresses

Section 6.01. The Secretary or Director General, External Resources Department, Ministry of Finance and Planning of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 6.02 The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance and Planning
Democratic Socialist Republic of Sri Lanka
Colombo
Sri Lanka

Cable address:

SECMINFIN FINMIN
Colombo

Telex:

21409
FORAID 21232

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

248423 (MCI)
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

By /s/ Jayantha Dhanapala
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
acting as an Implementing Agency of the
Global Environment Facility

By /s/ Fakhruddin Ahmed
Acting Regional Vice President
South Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Grant, the allocation of the amounts of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Grant Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Subgrants (Part A of the Project)	2,140,000	100% of eligible expenditures
(2) Works (Engineer, Procure and Construct Contract, which includes plant and equipment and services) (Part B of the Project)	570,000	25% of foreign expenditures and 20% of local expenditures
(3) Consultants' services		
(a) Part A of the Project		
(i) Investment Project Preparation Grants	210,000	100% of eligible expenditures
(ii) Off-grid project support	360,000	100%
(b) Part C of the Project	600,000	100%
(4) Goods	110,000	100% of foreign

(Part C of the Project)

expenditures,
100% of local
expenditures
(ex-factory cost)
and 80% of local
expenditures for
other items
procured locally

(5) Unallocated	210,000
	<hr/>
TOTAL	4,200,000
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2. For the purposes of this Schedule:

(a) the term "eligible expenditures" means, in respect of (i) Category (1), expenditures in respect of off-grid subprojects under Part A of the Project made in accordance with the Operating Guidelines and Schedule 3 to this Agreement, and (ii) Category (3) (a) (i), expenditures for consultants' services in respect of off-grid subprojects under Part A of the Project made in accordance with the Operating Guidelines and Schedule 3 to this Agreement;

(b) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient; and

(c) the term "local expenditures" means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 250,000, may be made in respect of Categories 1 and 3(a) on account of payments made of expenditures in respect of Investment Projects which are either solar home system or village hydro Investment Projects before that date but after September 1, 1996.

4. The Bank may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures in respect of Part A of the Project for goods under contracts not exceeding the equivalent of \$2,000,000, for works under contracts not exceeding \$3,000,000 equivalent, and for turnkey contracts not exceeding \$5,000,000 equivalent; and for expenditures in respect of parts B and C of the Project for goods, works and services under contracts costing less than \$200,000, under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. If the Bank shall have determined at any time that any payment made from the Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Bank, refund to the Bank for deposit into the Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Bank.

SCHEDULE 2

Grant Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 and 3 (a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Part A of the Project and Categories 2, 3 (b) and 4 set forth in said table in respect of Parts B and C of the Project;

(b) the term "eligible expenditures" means expenditures in

respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$150,000 in respect of the Special Account for Part A of the Project and an amount equivalent to \$50,000 in respect of the Special Account for Parts B and C thereof, to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$75,000 in respect of the Special Account for Part A of the Project and an amount equivalent to \$25,000 in respect of the Special Account for Parts B and C thereof, until (i): in respect of the Special Account for Part A of the Project, the aggregate amount of withdrawals from the GEF Trust Fund Grant Account allocated to Categories 1 and 3 (a) plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Part A of the Project shall be equal to or exceed the equivalent of SDR 1,000,000; and (ii) in respect of the Special Account for Parts B and C of the Project, the aggregate amount of withdrawals from the GEF Trust Fund Grant Account allocated to Categories 2, 3 (b) and 4 plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Parts B and C of the Project shall be equal to or exceed the equivalent of SDR 500,000.

2. Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Accounts have been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Accounts shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for deposit into the respective Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the respective Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the respective Special Account, the Recipient shall furnish to the Bank requests for deposits into the respective Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the respective Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the respective Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into any Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Recipient directly from the GEF Trust Fund Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the relevant Part of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the respective Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into any Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Recipient may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the GEF Trust

Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 3

Terms and Conditions of Subgrants and Investment Project Preparation Grants; Off-grid Project Support

A. Subgrants and Investment Project Preparation Grants

1. For the purpose of making Subgrants and Investment Project Preparation Grants to Investment Enterprises, the Recipient shall make available a portion of the Grant to Participating Credit Institutions under the participation agreements to be entered into between the Recipient and each such Participating Credit Institution, upon terms and conditions satisfactory to the Bank, including the following:

(a) the obligation of each Participating Credit Institution to make available to Investment Enterprises the proceeds of the Grant provided under its respective participation agreement with the Recipient on terms and conditions satisfactory to the Bank, which shall include the terms and conditions set forth in paragraph 2 of this Schedule;

(b) the agreement of the Participating Credit Institution that the aggregate amount of Subgrants and of Investment Project Preparation Grants made or proposed to be made by the Participating Credit Institution to a particular Investment Enterprise will not exceed the maximum of Subgrants and of Investment Project Preparation Grants, respectively, to be made to any one Investment Enterprise, as specified in the Operating Guidelines;

(c) no obligation to pay any administration or banking fees to the Recipient on the proceeds of the Grant disbursed to such Participating Credit Institution; and

(d) an undertaking by each Participating Credit Institution to charge no fees with respect to the Subgrants and Investment Project Preparation Grants made or to be made to Investment Enterprises.

2. Proceeds of the Grant shall be made available by Participating Credit Institutions to Investment Enterprises in accordance with the Operating Guidelines, on terms and conditions satisfactory to the Bank, which such terms and conditions shall include the following:

Subgrants

(a) Subject to subparagraph b. below, the amount of each Subgrant to an Investment Enterprise shall be equivalent to: (i) \$400 per kilowatt of village hydro installed, subject to a maximum of \$20,000 for each installation; and (ii) \$100 per solar home system with module of 30 watt or greater, subject to a limit of one such solar home system grant per household;

(b) Subgrant payments to Investment Enterprises shall be made only after (i) in respect of village hydro installations, a Chartered Engineer has certified to the relevant Participating Credit Institution that the entire system (including civil works, electromechanical, distribution system and house wiring for beneficiaries) is complete, complies with the Village Hydro Specifications on file with the AU, and is operational; and (ii) in respect of solar home systems, (a) the Participating Credit Institution has verified that the solar home system conforms to the Specifications for Solar Home Systems on file with the AU; (b) the AU has verified to the Participating Credit Institution that the photovoltaic module installed in respect of the solar home system was on the module list maintained by the AU and had not been used previously to apply for a Subgrant; and (c) the

Participating Credit Institution has received from the Investment Enterprise an installation certificate containing the following information: (1) serial number of photovoltaic module installed; (2) name, national identification number and address of beneficiary household; (3) signature of member of beneficiary household, indicating acceptance of the solar home system and agreement with the terms of the loan, lease or other contract with the system supplier, and certifying also that the household has not previously received a Subgrant; (4) date of acceptance by the beneficiary household of the complete and operational system; and (5) signature of a representative of the Investment Enterprise, certifying that the system complies with the Specifications for Solar Home Systems on file with the AU and has not previously been used to acquire a Subgrant;

Investment Project Preparation Grants

(c) Subject to subparagraph d. below, the amount of each Investment Project Preparation Grant to an Investment Enterprise shall be equivalent to (i) a maximum of 90% of the cost of preparation of feasibility studies, business plans and Subloan documentation in respect of solar home system Investment Projects, subject to a maximum of \$6,500 for each such Investment Project; and (ii) a maximum of 95% of the cost of preparation of feasibility studies, business plans and Subloan documentation in respect of village-hydro Investment Projects, subject to a maximum of \$9,000 for each such Investment Project; and

(d) Investment Project Preparation Grant payments to Participating Credit Institutions for Investment Enterprises shall be made only after the AU has received a disbursement request from the Participating Credit Institution and satisfactory evidence of (i) the approval of the Investment Project by the Participating Credit Institution on the basis of a completed feasibility study, business plan and Subloan documentation package; and (ii) the eligibility of the expenditures made for financing out of the proceeds of the Grant.

B. Off-Grid Project Support

For the purpose of off-grid project support activities, the Recipient shall make available a portion of the Grant to the AU on terms and conditions satisfactory to the Bank, including the following:

(a) the AU shall implement a promotional effort satisfactory to the Bank in order to increase awareness among potential customers of village-hydro and solar home energy systems. Such promotional effort shall include the dissemination of information in respect of system performance, benefits, costs, durability and warranty availability;

(b) the AU shall maintain a list of consultants acceptable to the Bank who are qualified to verify that solar home systems proposed for financing out of the proceeds of the Credit meet the Specifications for Solar Home Systems on file with the AU. The AU shall also administer technical assistance funds to be used by Participating Credit Institutions to retain consultants for this purpose, and to verify serial numbers submitted in connection with Subgrant applications and confirm the compliance of installed systems with the relevant specifications; and

(c) the AU shall develop, maintain and publicize consumer protection services, investigate unresolved consumer complaints against Investment Enterprises and seek appropriate resolution of such complaints.



