

Public Disclosure Authorized

CONFORMED COPY

GEF TF GRANT NUMBER TF097126

Global Environment Facility Grant Agreement

(Financing Energy Efficiency at MSMEs Project)

between

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

and

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Dated September 13, 2010

GEF TF GRANT NUMBER TF097126

GLOBAL ENVIRONMENT FACILITY GRANT AGREEMENT

AGREEMENT dated September 13, 2010, entered into between Small Industries Development Bank of India (“SIDBI” or “Recipient”) and International Bank for Reconstruction and Development (“World Bank”), acting as an implementing agency of the Global Environment Facility (“GEF”).

Whereas by a Grant Agreement of even date herewith between the World Bank and India (“India Grant Agreement”), the World Bank, acting as an implementing agency of the GEF, has agreed to extend to India, a grant in an amount of two million two hundred fifty thousand United States Dollars (\$2,250,000), to carry out Parts A4, A5, C and D1 of the Project described in Schedule 1 to this Agreement (“the Project”), on the terms and conditions set forth in the India Grant Agreement.

The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 (“Standard Conditions”), constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them: (a) in the Standard Conditions; or (b) in the Appendix to this Agreement.

**Article II
The Project**

- 2.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Parts A1, A2, A3, B and D2 of the Project in accordance with the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that Parts A1, A2, A3, B and D2 of the Project are carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article III
The Grant

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to nine million fifty thousand United States Dollars (\$9,050,000) (“Grant”) to assist in financing Parts A1, A2, A3, B and D2 of the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned GEF Trust Fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

Article IV
Additional Remedies

- 4.01. The Additional Events of Suspension referred to in Section 4.02(k) of the Standard Conditions consist of the following:
 - (a) the World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient’s right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred; and
 - (b) any event has occurred which gives the World Bank the right to suspend disbursements under the India Grant Agreement.

Article V
Effectiveness; Termination

- 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied:
 - (a) the execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental and corporate action;

- (b) if the World Bank so requests, the condition of the Recipient, as represented or warranted to the World Bank at the date of this Agreement, has undergone no material adverse change after such date; and
 - (c) the India Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
- 5.02. As part of the evidence to be furnished pursuant to Section 5.01(a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Member Country, showing the following matters, on behalf of the Recipient, namely that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.
- 5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
- 5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient’s Representative; Addresses

- 6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is Chief General Manager, Project Management Division.
- 6.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Northern Zonal Office
Videocon Tower, Rani Jhansi Road
New Delhi 110055

Facsimile:

011 23682461

- 6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI) or
64145 (MCI)

1-202-477-6391

AGREED at New Delhi, India, as of the day and year first above written.

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

By /s/ N. Roberto Zaghera
Authorized Representative

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

By /s/ N. K. Maini
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase demand for energy efficiency investments in target micro, small and medium enterprise clusters and to build their capacity to access commercial finance.

The Project consists of the following parts:

Part A. Capacity and Awareness Building

1. Provision, through SIDBI, of specialized technical advisory services to increase awareness of energy efficiency at selected cluster and plant levels, including the implementation of outreach efforts, dissemination of information on successful projects, and packaging of potential investment proposals in energy efficiency for financing.
2. Provision, through SIDBI, of specialized technical advisory services to selected financial intermediaries.
3. Provision, through SIDBI, of unit level technical advisory services to selected MSMEs in accessing finance, vendor outreach and enlistment.
4. Provision of technical advisory services, through BEE, to enhance marketing and outreach efforts to selected clusters, and capacity building at industry associations.
5. Provision of technical advisory services for carrying out training, audit, BEE certification and enlistment activities.

Part B. Increasing Energy Efficiency Investments (SIDBI)

1. Provision of technical advisory services for the development of an initial pipeline of approximately 500 sub-projects in the energy areas, and provision of sub-grants therefor.
2. Provision of technical advisory services and performance-linked sub-grants for carrying out the demonstrations of energy efficiency technologies in selected clusters.

Part C. Knowledge Management and Sharing (BEE)

Provision of technical advisory services and training for: (i) the design and implementation of a strategic framework; (ii) the facilitation of an appropriate

regulatory and market transformation regime; (iii) the facilitation of a mechanism to address market failures; and (iv) carrying out of promotion campaigns for the widespread adoption of energy efficiency products and technologies.

Part D. Project Management

1. Provision of technical advisory services, equipment, goods, and logistical assistance to the BEE's PMU to facilitate the implementation of the Project.
2. Provision of technical advisory services, equipment, goods, and logistical assistance to the SIDBI's PMU to facilitate the implementation of the Project.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Project Implementation Arrangement

1. The Recipient shall maintain a Project Management Unit to oversee the implementation of Parts A1, A2, A3, B and D2 of the Project and to be responsible for Project design, oversight, reporting and evaluation, implementation of selected outreach and capacity building, and cross-cutting knowledge management activities.
2. The Recipient shall, no later than one (1) month after the Effective date, enter into a Memorandum of Understanding with BEE, satisfactory to the World Bank, clarifying areas of collaboration and ways for cooperation for implementing Parts A1, A2, A3, B and D2 of the Project.
3. The Recipient shall: (i) carry out Parts A1, A2, A3, B and D2 of the Project in accordance with the guidelines, criteria, rules and procedures described in the SIDBI Operations Manual; and (ii) except as the World Bank shall otherwise agree, shall not assign, amend, abrogate or waive any provision of the SIDBI Operations Manual. In the event that the provisions of the SIDBI Operations Manual are inconsistent with the provisions of this Agreement, the provisions of this Agreement shall govern.

B. Safeguards

1. The Recipient shall implement Parts A1, A2, A3, B and D2 of the Project in accordance with the Environmental and Social Risk Management Framework ("ESMF").
2. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall regularly collect, compile and submit to the World Bank, on a six-monthly basis, reports on the status of compliance with the ESMF, giving details of:
 - (a) measures taken in furtherance of the implementation of the ESMF;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the ESMF; and

- (c) remedial measures taken or required to be taken to address such conditions.

C. Anti-Corruption

The Recipient shall ensure that Parts A1, A2, A3, B and D2 of the Project are carried out in accordance with the provisions of the Anti-corruption Guidelines.

D. Sub-Projects

1. The Recipient shall make Sub-Grants to Beneficiaries in accordance with eligibility criteria and selection procedures acceptable to the World Bank, including, inter alia that:
 - (a) the Sub-Grant shall be obtained through application to SIDBI;
 - (b) the Sub-Grant shall be available to Beneficiaries participating in the Project, and receiving energy technical audit and follow up support by the consultants appointed under the Project; and
 - (c) the Sub-Grant shall be a one-time cash payment of up to (900,000) Nine Lakh Indian Rupees, at 75% of capital expenditure upon demonstration of achievement of actual energy savings as defined in the SIDBI Operations Manual.
2. The Recipient shall make each Sub-Grant under a Sub-Grant Agreement with the respective Beneficiary on terms and conditions approved by the World Bank, which shall, inter alia, include the following:
 - (a) The Sub-Grant shall be denominated in Indian Rupees.
 - (b) The Recipient shall obtain rights adequate to protect its interests and those of the World Bank, including the right to: (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-Grant, or declare to be immediately due and payable all or any part of the amount of the Sub-Grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Sub-Grant Agreement; and (ii) require each Beneficiary to: (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Sub-Grant in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance

with indicators acceptable to the World Bank, the progress of the Sub-project and the achievement of its objectives; (E)(1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the World Bank's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the World Bank; (F) enable the Recipient and the World Bank to inspect the Sub-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.

3. The Recipient shall exercise its rights under each Sub-Grant Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Sub-Grant Agreement or any of its provisions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of Parts A1, A2, A3, B and D2 of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators agreed with the World Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report.
2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than June 30, 2015.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for Parts A1, A2, A3, B and D2 of the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each

calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods, works and services required for Parts A1, A2, A3, B and D2 of the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:
 - (a) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 (“Procurement Guidelines”), in the case of goods, non-consulting services and works, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 (“Consultant Guidelines”) in the case of consultants’ services; and
 - (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan dated February 19, 2010, prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).
2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Non-Consulting Services and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** Other than International Competitive Bidding, the following methods may be used for procurement of goods and works for those contracts specified in the Procurement Plan:

(a) National Competitive Bidding, subject to the additional provisions listed in the Procurement Plan
(b) Shopping
(c) Direct Contracting
(d) Commercial practices acceptable to the World Bank

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** Other than Quality- and Cost-based Selection, the following methods may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan:

(a) Quality-based Selection
(b) Least Cost Selection
(c) Selection based on Consultants' Qualifications
(d) Selection under a Fixed Budget
(e) Single-source Selection
(f) Selection of Individual Consultants
(g) Sole Source Procedures for the Selection of Individual Consultants

D. Review by the World Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Training and services under Parts A1, A2, A3, B and D2 of the Project	8,130,328	100%
(2) Sub-Grants for Sub-Projects	500,000	100%
(3) Incremental Operating Cost	419,672	100%
Total Amount	9,050,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$10,000 equivalent may be made for payments made prior to this date but on or after February 19, 2010, for Eligible Expenditures under Categories (1), (2) and (3); and
 - (b) for Sub-Grants, under Category (2), unless the World bank has received evidence, satisfactory to the World Bank, that the Sub-project for purposes of which a Sub-Grant is sought: (i) has been completed in

accordance with the terms, conditions and guidelines described in the SIDBI Operations Manual and Schedule 2, Section I.D of this Agreement; and (ii) SIDBI has confirmed the receipt of a third party verification audit report and its compliance with implementation of the recommendations included in the detailed project report.

2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2014.

APPENDIX**Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Beneficiary” means an industrial enterprise as defined in the Micro, Small and Medium Enterprises Development Act, 2006 that is, or will be, receiving a Sub-grant and is, or will be, party to a Sub-grant Agreement.
3. “BEE” means Bureau of Energy Efficiency, a statutory body under the Recipient’s Ministry of Power, established under the Energy Conservation Act of 2001, with the goal to promote energy efficiency in India.
4. “Category” means a category set forth in the table in Schedule 2 to the Grant Agreement.
5. “Environmental and Social Risk Management Framework” means the Recipient’s Environmental and Social Risk Management Framework, dated January 10, 2010, which sets out a framework for environmental screening of investment grade proposals, actions, measures and policies designed to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental impacts associated with the Project, or reduce such impacts to acceptable levels, or ensure the occupational health and safety of technicians involved, as such Environmental and Social Management Framework may be amended from time to time with the prior agreement of the World Bank.
6. “Grant” means the GEF Grant.
7. “Grant Agreement” means this GEF Grant Agreement.
8. “India Grant Agreement” means the Grant Agreement, of even date herewith, between the World Bank and India for the financing Parts A4, A5, C and D1 of this Project.
9. “Incremental Operating Costs” means the costs of compensation, operational travel and capacity building of incremental staff and consultants, office rental, furnishings, utilities, office supplies, communication expenses, and audit costs for the purposes of Parts A1, A2, A3, B and D2 of the Project.
10. “MoEF” means the India’s Ministry of Environment and Forests, or any successor thereto.

11. “Project Management Unit” or “PMU” means the Recipient’s Project Management Unit referred to under Part A.1 of Section I of the Schedule 2 to this Agreement.
12. “SIDBI” means Small Industries Development Bank of India, a Corporation established under the Small Industries Bank of India Act, 1989 (39 of 1989).
13. “SIDBI Operations Manual” means the Project Operations Manual, satisfactory to the World Bank, and referred to in Part B.1 of Section I of the Schedule 2 to this Agreement, issued by the Recipient on February 19, 2010, for the purpose of carrying out Parts A1, A2, A3, B and D2 of the Project, setting out, *inter alia*, work programs, training programs, implementation time-tables, key performance indicators, financial and procurement methods and procedures, approval and selection criteria for Beneficiaries, expected outputs-outcomes, grant limits, terms of reference of various national and local committees, and monitoring and evaluation planning and reporting to be used in the implementation of Parts A1, A2, A3, B and D2 of the Project, as the same may be amended from time to time with the approval of, the World Bank, and such term includes any schedules to the SIDBI Operations Manual.
14. “SIDBI Grant Agreement” means the Global Environment Facility Grant Agreement, of even date herewith, between the World Bank and SIDBI for the financing part of this Project.
15. “Sub-project” means an investment to be undertaken by or for the benefit of a Beneficiary, under Part B2 of the Project, and in respect of which a Sub-Grant (as hereinafter defined) has been or is to be provided.
16. “Sub-Grant” means a financial incentive provided or to be provided for a Sub-project, whether in the form of a subsidy or deferred revenues.
17. “Sub-Grant Agreement” means the agreement referred to in Part D.3 of Section I of the Schedule 2 to this Agreement.