

**GEF TRUST FUND GRANT NUMBER TF053298**

# **Global Environment Facility Trust Fund Grant Agreement**

**(Energy Efficiency Project)**

**between**

**REPUBLICA ORIENTAL DEL URUGUAY**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**acting as an Implementing Agency of the Global Environment Facility**

**Dated**

**, 2004**

**GEF TRUST FUND GRANT NUMBER TF053298**

**GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT**

AGREEMENT, dated \_\_\_\_\_, 2004, between REPUBLICA ORIENTAL DEL URUGUAY (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 continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, *inter alia*, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution No. 94-2);

(C) the second replenishment of the GEF Trust Fund was approved on the basis set forth in Resolution No. 98-2 of July 14, 1998, of the Executive Directors of the Bank (Resolution No. 98-2);

(D) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2, and to be funded from contributions to the GEF Trust Fund under Resolution No. 98-2, which may include funds carried over from the first replenishment of the GEF Trust Fund under Resolution No. 94-2; and

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend a grant (the GEF Trust Fund 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 (c), (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) 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 implementing agency of the GEF, except that in Section 6.02,

the term “Bank” shall also include the Bank acting in its own capacity;

- (ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
- (iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
- (iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
- (v) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account;
- (vi) 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.”; and
- (vii) 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 GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF.”

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) “Beneficiary” means any business, industry or ESCO (as hereinafter defined) that operate in the territory of the Recipient and meet the criteria set forth in the Operational Manual as beneficiaries of Subprojects (as hereinafter defined);

(b) “DINAMA” means *Dirección Nacional de Medio Ambiente*, the Recipient’s National Directorate of Environmental Management;

(c) “DNE” means *Dirección Nacional de Energía*, the Recipient’s Energy National Directorate;

(d) “Eligible Categories” means categories (1) through (6) set forth in the table in part A. 1 of Schedule 1 to this Agreement;

(e) “Eligible Expenditures” means the expenditures for Sub-loans, Sub-grants, goods and services referred to in Section 2.02(a) of this Agreement;

(f) “ESCO” means energy service companies;

(g) “MIEM” means *Ministerio de Industria, Energía y Minería*, the Recipient’s Ministry of Industry, Energy and Mining;

(h) “Operational Manual” means the manual for the operation of the Project referred to in Section 3.04 (a) of this Agreement;

(i) “OPP” means *Oficina de Planeamiento y Presupuesto*, the Recipient’s Office of Budget and Planning;

(j) “PMU” means the Project Management Unit referred to in Section 3.05 (a) of this Agreement;

(k) “Project development studies” means the feasibility and other studies required to prepare a proposal for an energy efficiency investment Sub-project under Part A.2 of the Project;

(l) “Special Accounts” means the accounts referred to in paragraph 1, Part B of Schedule 1 to this Agreement; and “Special Account” mean any “Special Accounts”;

(m) “Sub-grant” means any financing made or proposed to be made on a grant basis by the Recipient through UFEE (as hereinafter defined) to a Beneficiary to finance up to 67 percent of the cost of project development studies for a Sub-project, out of the proceeds of the GEF Trust Fund Grant;

(n) “Sub-loan” means any debt financing made or proposed to be made on a commercial basis by the Recipient through UFEE (as hereinafter defined) to a

Beneficiary to finance up to 85 percent of the costs of implementing a Sub-project out of the proceeds of the GEF Trust Fund Grant;

(o) “Sub-project” means any energy efficiency investment under Part A.3 of the Project which is selected, approved and implemented in accordance with the requirements of the Operational Manual;

(p) “Subsidiary Agreement” means the agreement referred to in Section 3.02 of this Agreement;

(q) “Transit Accounts” means the accounts referred to in Section 2.02 (b) of this Agreement; and “Transit Account” means any “Transit Accounts”;

(r) “Trusteeship Agreement” means the agreement for the operation of UFEE referred to in Section 3.10 of this Agreement;

(s) “UFEE” means Uruguay Fund for Energy Efficiency, to be established by the Recipient in a commercial bank operating in the territory of the Recipient under terms and conditions satisfactory to the Bank for the purposes of facilitating development of and implementation of Sub-projects;

(t) “URSEA” means *Unidad Reguladora de los Servicios de Energía y Agua*, the Recipient’s regulatory unit for energy and water services, a deconcentrated organ (*órgano desconcentrado*) of the Recipient, established pursuant to Law No. 17.598 of December 13, 2002;

(u) “UTE” means the *Administración Nacional de Usinas y Trasmisiones Eléctricas*, the Recipient’s National Power Utility; and

(v) “UTE-ESU” means the Energy Savings Unit of UTE.

## 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 GEF Trust Fund Grant in an amount equivalent to six million eight hundred and seventy-five thousand Dollars (US\$6,875,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for Sub-loan and Sub-grant disbursements and 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 GEF Trust Fund Grant.

(b) Upon receipt of notification from the Bank allowing the establishment of the Transit Accounts, the Recipient may, for the purposes of channeling the funds from the GEF Trust Fund Grant Account to the Special Accounts, open and maintain in Dollars two separate transit accounts in its Central Bank on terms and conditions satisfactory to the Bank (one for Part A and Part C of the Project, the other for Part B of the Project). All funds deposited by the Bank in Transit Accounts shall be: (i) deposited by the Recipient into the relevant Special Account(s) within no more than one working day after such deposit by the Bank; or (ii) returned to the GEF Trust Fund Grant Account in case said funds are not transferred within the time specified in subparagraph (i) above. Transit Accounts are subject to the audit and record-keeping provisions of Article IV of this Agreement.

Section 2.03. The Closing Date shall be June 30, 2010 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. The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall:

(a) carry out Part A.1, A.4 and Part C of the Project through MIEM (acting through DNE);

(b) carry out Part A.2 and A.3 of the Project through MIEM (acting through DNE) and making use of UFEE; and

(c) cause UTE (pursuant to the Subsidiary Agreement) to carry out Part B of the Project,

with due diligence and efficiency and in conformity with the Operational Manual and with appropriate managerial, technical, administrative, financial, legal, ecological,

environmental, productive, social and conservation practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, the Recipient shall enter into a subsidiary agreement for Project implementation with UTE on terms and conditions satisfactory to the Bank, said agreement to include, *inter alia*: (i) the obligation of UTE to, with respect to Part B of the Project: (A) provide the necessary counterpart funds; (B) assist the Recipient in the coordination of Project implementation and in complying with its obligations to the Bank under this Agreement; and (C) follow the provisions of the Operational Manual; and (ii) the obligation of UTE to assist the Recipient (through MIEM), as necessary, in the carrying out of Part C of the Project.

- (b) (i) The Recipient shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such a manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the GEF Trust Fund Grant; and
- (ii) except as the Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, terminate, waive or fail to enforce the Subsidiary Agreement or any provision thereof.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services (including those financed by Sub-loans and/or Sub-grants) required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. (a) The Recipient shall issue an operational manual, satisfactory to the Bank, containing, *inter alia*, specific provisions on detailed arrangements for the carrying out of the Project, including: (i) a model for the Trusteeship Agreement; (ii) requirements for the selection, approval and implementation of Sub-projects; (iii) selection criteria for the Beneficiaries; (iv) financial management and procurement procedures for the Project; (v) environmental safeguards applicable to Parts A.3 and B.2 of the Project; and (vi) model formats for the progress reports referred to in Section 3.08 (b) of this Agreement.

(b) If any provision of the Operational Manual is inconsistent with a provision of this Agreement, the provision of this Agreement shall prevail.

Section 3.05. (a) The Recipient shall operate and maintain, at all times during Project implementation, a Project Management Unit (PMU) with a structure, functions



and responsibilities acceptable to the Bank, including, *inter alia*, the responsibility of the PMU to coordinate, monitor and supervise the carrying out of the Project.

(b) The Recipient shall ensure that the PMU is, at all times during Project implementation, headed by a Project coordinator and assisted by adequate professional and administrative staff (including a procurement officer and a financial and administrative officer), in numbers and with experience and qualifications acceptable to the Bank, operating under terms of reference satisfactory to the Bank.

Section 3.06. The Recipient shall maintain until the completion of the Project a steering committee with responsibilities and functions satisfactory to the Bank including, *inter alia*, overall project oversight and coordination and policy setting, such committee to be comprised of representatives of DINAMA, MIEM, OPP, URSEA and UTE.

Section 3.07. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall and shall cause UTE to:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan designed to ensure the sustainability of the Project;

(b) afford the Bank a reasonable opportunity to exchange views with the Recipient on said plan; and

(c) carry out an in-depth Project review (the mid-term review), jointly with the Bank, on the progress achieved in the implementation of the Project.

Section 3.08. The Recipient shall and shall cause UTE to:

(a) maintain policies and procedures adequate to enable the Recipient and UTE to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, for each year during the implementation of the Project, semestral reports integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the execution of the Project during the period preceding the date of each said report and setting out the measures

recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by November 30 and May 31 of each year during the implementation of the Project or such later date as the Bank shall request, each report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of said report and the Bank's views on the matter.

Section 3.09. The Recipient shall: (a) with respect to part A.2 of the Project, ensure that the amount paid to the providers of the goods or consultant services procured to carry out each Sub-project consist of at least: 33 percent paid by the Beneficiary and at most 67 percent financed by the Sub-grant; (b) with respect to part A.3 of the Project, ensure that the amount paid to the providers of the goods or consultant services procured to carry out each Sub-project consist of at least: 15 percent paid by the Beneficiary and at most 85 percent financed by the Sub-loan; and (c) ensure that such goods or consultant services are used by the Beneficiaries to carry out their respective Sub-project.

Section 3.10. For the purposes of establishing and operating UFEE the Recipient shall enter into a trusteeship agreement with a commercial bank acceptable to the Bank under terms and conditions satisfactory to the Bank (the Trusteeship Agreement), which agreement shall include, *inter alia*, said commercial bank's obligation to maintain, on behalf of the Recipient, records and accounts adequate to reflect the operations, resources and expenditures of Part A.2 and Part A.3 of the Project, in order to enable the Recipient to comply with its obligations under Sections 4.01 and 4.02 of this Agreement.

- (b) (i) the Recipient shall exercise its rights and carry out its obligations under the Trusteeship Agreement in such a manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the GEF Trust Fund Grant; and
- (ii) except as the Bank may otherwise agree, the Recipient shall not assign, amend, abrogate, suspend, waive, terminate or fail to enforce the Trusteeship Agreement or any provision thereof.

## ARTICLE IV

### Financial Conditions

Section 4.01. (a) The Recipient shall and shall cause UTE to maintain or cause to be maintained a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect: (i) in the case of the Recipient, the operations, resources and expenditures related to the Project (including the operation of the Transit Accounts); and (ii) in the case of UTE, its operations and financial condition and to register separately the operations resources and expenditures related to Part B of the Project.

- (b) The Recipient shall and shall cause UTE to:
- (i) have the financial statements referred to in paragraph (a) of this Section (in the case of the Recipient) and UTE's financial statements (balance sheets, statements of income and expenses and related statements) (in the case of UTE) for each fiscal year (or other period agreed to by the Bank) audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
  - (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank) so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
  - (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Trust Fund Grant Account were made on the basis of statements of expenditure, the Recipient shall and shall cause UTE to:

- (i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last

withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's and UTE's progress reporting obligations set out in Section 3.08 of this Agreement, the Recipient shall (for Parts A and C of the Project) and shall cause UTE (for Part B of the Project) to prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## ARTICLE V

### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) The Subsidiary Agreement or any provision thereof shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner so as to materially and adversely affect, in the opinion of the Bank, the ability of the UTE to carry out Part B of the Project.

(b) UTE shall have failed to perform any of its obligations under the Subsidiary Agreement.

(c) UFEE shall have stopped operating.

## ARTICLE VI

### Effectiveness; Termination

Section 6.01. The following events are specified as conditions to the effectiveness of the GEF Trust Fund Grant within the meaning of Section 12.01 (c) of the General Conditions:

(a) that the Operational Manual has been issued and put into effect;

(b) that the PMU been properly staffed as set forth in Section 3.05 of this Agreement;

(c) that the UTE-ESU has been established in a manner satisfactory to the Bank; and

(d) that the Subsidiary Agreement has been entered into between UTE and the Recipient.

Section 6.02. The date \_\_\_\_\_ is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

## ARTICLE VII

### Representative of the Recipient; Addresses

Section 7.01. The Minister of Industry, Energy and Mining of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02 The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Industry, Energy and Mining  
Rincón 743  
Montevideo, Uruguay 11100

Fax: (598-2) 902-1245

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

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 \_\_\_\_\_, as of the day and year first above written.

REPUBLICA ORIENTAL DEL URUGUAY

By

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
as an implementing agency of the Global Environment Facility

By

Regional Vice President  
Latin America and the Caribbean

**SCHEDULE 1**

**Withdrawal of the Proceeds of the GEF Trust Fund Grant**

A. General

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

<u>Category</u>	Amount of the GEF Trust Fund Grant Allocated (Expressed in Dollars)	% of Expenditures to be financed
(1) Sub-grants under Part A of the Project	500,000	100% of Sub-grant amount disbursed through UFEE
(2) Sub-loans under Part A of the Project	1,975,000	100% of Sub-loan amount disbursed through UFEE
(3) Goods	1,360,000	100% of foreign expenditures, 100 % of local expenditures (ex-factory cost) and 77% of local expenditures for other items procured locally
(4) Consultants' services	1,600,000	87%
(5) Fund management services	400,000	87%
(6) Incremental operating costs	300,000	87%
(7) Unallocated	740,000	
TOTAL	<u>6,875,000</u>	



For the purposes of this Schedule:

(a) 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;

(b) the term “local expenditures” means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient;

(c) the term “Fund management services” means the services required by UFEE to start-up, market and administer the Sub-grants and Sub-loans; and

(d) the term “incremental operating costs” means reasonable expenditures for Part C of the Project, which would not have been incurred absent the Project, for the maintenance and leasing of equipment, office supplies and other consumables, salaries of incremental PMU staff, travel and accommodations.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) Category 1 and Category 2 unless the Bank has received evidence satisfactory to it that UFEE has been established; and (b) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$250,000, may be made on account of payments made for expenditures before that date but after July 1, 2003 (but in no case earlier than twelve months immediately before the date of this Agreement).

4. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$100,000 equivalent per contract; (b) for services of individual consultants costing less than \$50,000 equivalent per contract; and (c) for services of consulting firms under contracts costing less than \$100,000 equivalent per contract, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. The Recipient may request withdrawals from the GEF Trust Fund Grant Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the FMR and any other information as the Bank shall specify by notice to the Recipient (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the GEF Trust Fund Grant Account, the Recipient shall submit to the Bank only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Accounts

1. Upon receipt of notification from the Bank allowing the establishment of the Special Accounts; the Recipient may open and maintain in Dollars: (a) a special deposit account for Part A.1, Part A.4 and Part C of the Project (Special Account A); (b) a special deposit account for Part A.2 and Part A. 3 of the Project (Special Account B); and (c) a special deposit account for Part B of the Project (Special Account C); all in a commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Accounts have been opened, withdrawals from the GEF Trust Fund Grant Account of amounts to be deposited into any of the Special Accounts, via the Transit Accounts, shall be made as follows:

(a) if the Recipient is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Recipient is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of any of the Special Accounts shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of any of the Special Accounts, 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into any of the Special Accounts:

(a) if the Bank, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the GEF Trust Fund Grant Account; or

(c) 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: (A) the records and accounts for each of the Special Accounts; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based

Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into any of the Special Accounts in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into any of the Special Accounts may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

6. (a) If the Bank determines at any time that any payment out of any of the Special Accounts was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into said Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into any of the Special Accounts 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 determines at any time that any amount outstanding in any of the Special Accounts will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 any of the Special Accounts.

(d) Refunds to the Bank made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Grant Agreement.

**Annex A  
to  
SCHEDULE 1**

**Operation of Special Accounts  
When Withdrawals Are Not  
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means: (a) the amount of \$250,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into Special Account A; (b) the amount of \$250,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into Special Account B; and (c) the amount of \$185,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into Special Account C; all as pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish any of 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 in the aggregate do not exceed the Authorized Allocation. 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.

(b) For replenishment of any of the Special Accounts, the Recipient shall furnish to the Bank requests for deposit into the respective Special Account at such intervals as the Bank shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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 any of the respective Special Accounts for Eligible Expenditures. Each such deposit into any of the Special Accounts shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into any of the Special Accounts, once the total unwithdrawn amount of the GEF Trust Fund Grant minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions 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 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 any of the Special Accounts as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B  
to  
SCHEDULE 1**

**Operation of Special Accounts  
When Withdrawals Are  
Report-based Disbursements**

1. Withdrawals from the GEF Trust Fund Grant Account shall be deposited by the Bank into any of the Special Accounts in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into any of the Special Accounts shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the GEF Trust Fund Grant, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the respective Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to increase consumer demand for and competitive supply of energy efficient goods and services, contributing to: (a) improved productivity of energy use; (b) reduced reliance of the Recipient's economy on imported electricity and fossil fuels; and (c) reduced emissions from the energy sector.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Bank may agree upon from time to time to achieve such objectives.

#### Part A: Energy Efficiency Market Development

1. Creation of an enabling environment for energy investment, including: (a) drafting of the necessary policies and regulations to promote energy efficiency; (b) design and implementation of a training and capacity building program for various stakeholders on energy efficiency, including the design of a best practice program and the carrying out of technical and commercial assessments; (c) design and implementation of a labeling and standards program including the implementation of a voluntary energy efficiency seal for main household appliances, lighting equipment, building thermal envelopes and industrial equipment; (d) design and implementation of standard contractual instruments to support ESCOs; and (e) provision of training.
2. Provision of Sub-grants to creditworthy Beneficiaries to cost-share with the Beneficiary up to 67 percent of the project development studies to develop proposals for energy efficiency Sub-projects.
3. Provision of Sub-loans to creditworthy Beneficiaries to finance up to 85 percent of energy efficiency investments that meet the objectives of the Project.
4. Provision of management services to UFEE, including technical assistance and training, the carrying out of promotional and public dissemination campaigns, and the technical, financial and environmental review of proposals for project development studies and Sub-projects.

Part B: Utility Based Energy Efficiency Services

1. Provision of technical assistance, training and equipment (as necessary) for the establishment and operation of an energy service unit within UTE.
  
2. Development and implementation of an energy efficiency investment program, including, *inter alia*: (a) provision of energy efficient equipment to residential and commercial customers in selected areas including, *inter alia*, efficient lighting, water heaters, and other energy efficient equipment; (b) installation of new municipal lighting equipment in selected municipalities; (c) reduction of losses and increases in end-use efficiency and payment levels in poor urban areas; (c) provision of efficient modern energy supplies to low income rural customers using solar home systems; and (d) any other energy efficiency investments that meet the criteria established in the Operational Manual.

Part C: Project Management

Strengthening the institutional, administrative, financial, procurement, and technical capabilities of the PMU to carry out its obligations under the Project (including the audit services required under this Agreement).

\* \* \*

The Project is expected to be completed by December 31, 2009.



### **SCHEDULE 3**

#### **Procurement and Consultants' Services**

##### Section I. Procurement of Goods

##### Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

##### Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

##### Part C: Other Procurement Procedures

##### 1. National Competitive Bidding

Goods estimated to cost less than \$250,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

##### 2. Shopping

Goods estimated to cost \$50,000 equivalent or less per contract may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

##### 3. Commercial Practices

Procurement of goods financed by Sub-loans and/or Sub-grants may be carried out in accordance with established commercial practices acceptable to the Bank pursuant to paragraph 3.12 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

A plan setting forth the contracts for the goods required to carry out the Project during the initial period of at least 12 months shall be furnished to the Bank for its review and approval, in accordance with the provisions of Appendix 1 to the Guidelines. Such plan shall list the proposed methods for procurement of each contract, as permitted under this Schedule 3 of the Loan Agreement, and the related Bank review procedures. The Borrower shall update such plan annually or as needed throughout the duration of the project, always covering the next 12 months period of project implementation. Any revision proposed to such plan shall be furnished to the Bank for its prior approval. Procurement of all goods shall be undertaken in accordance with such plan as shall have been approved by the Bank, and with the provisions of said Appendix 1.

2. Prior Review

(a) With respect to: (i) each contract for goods to be procured in accordance with the procedures referred to in Part B above; and (ii) the first two contracts for goods to be procured in accordance with the procedures referred to in Part C.1 above, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first two (2) contracts to be procured in accordance with the procedures referred to in Part C.2 above, the following procedures shall apply:

- (i) prior to the selection of the supplier, or the execution of such contract under shopping procedures, the Recipient shall provide to the Bank a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of such contract procured under shopping procedures, the Recipient shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2 (f), 2 (g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Section I and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Recipients" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto, and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services rendered by consulting firms estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Least-cost Selection

Services rendered by consulting firms under Part C of the Project estimated to cost less than \$15,000 per contract shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Commercial Practices

Services for environmental and technical review under Part A of the project and estimated to cost less than \$10,000 equivalent per contract, as well as services financed by Sub-loans and/or Sub-grants, may be procured in accordance with commercial practices acceptable to the Bank pursuant to paragraph 3.12 of the Consultant Guidelines.

4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, and not exceeding in the aggregate \$900,000 equivalent, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.4 of the Consultant Guidelines.

5. Single Source Selection

Services for energy efficiency labeling and standards program under Part A.1(c) of the Project, and not exceeding in the aggregate \$400,000 equivalent, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank for its review and approval. Such plan shall set forth: (a) the particular contracts for consulting services required to carry out the project during an initial period of 12 months; (b) the proposed methods for selection of consultant services; and (c) related Bank review procedures. The plan shall be updated annually or as needed throughout the execution of the Project, and each such updating shall be furnished to the Bank for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Bank.

2. Prior Review

(a) With respect to: (i) each contract for the employment of consulting firms procured under Part B of this Section estimated to cost the equivalent of \$100,000 or more; and (ii) each contract for the employment of consulting firms procured under Part C.5 of this Section, the procedures set forth in paragraphs 2, 3, and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to: (i) each contract for the employment of consulting firms procured under Part C.1 of this Section; and (ii) each contract for the employment of consulting firms procured under Part C.2 of this Section, the shortlist and terms of reference of the consulting firms shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Guidelines shall also apply to such contracts.

(c) With respect to each contract for the employment of individual consultants to be selected on a sole source basis, or estimated to cost \$50,000 equivalent or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

(d) With respect to each contract for the employment of individual consultants estimated to cost less than \$50,000 equivalent, the shortlist and the terms of reference of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Guidelines shall also apply to such contracts.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

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