

**ADMINISTRATION AGREEMENT**

**between**

**THE NORDIC DEVELOPMENT FUND**

**and**

**THE INTER-AMERICAN DEVELOPMENT BANK**

**regarding**

**Project Specific Grant to the Inter-American Development Bank for  
Project RG-X1255 titled, "Green Climate Fund Readiness Support for  
Central America and Bolivia"**

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

**WHEREAS**, the Bank has designed and approved Project RG-X1255 titled, "Green Climate Fund Readiness Support for Central America and Bolivia" (the "Project"), as described in the attached Project Document (the "Project Document");

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

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

**NOW, THEREFORE**, the Parties hereby agree as follows:

#### **TRANSFER AND MANAGEMENT OF FUNDS**

1. NDF will make available to the Bank a contribution of EUR500,000.00 (five hundred thousand Euros) (the "Contribution") to be administered by the Bank to finance the Project.
2. The Contribution will be solely for the purposes indicated in the Project Document. Any material deviations from the objectives and activities of the Project described in the Project Document will require NDF's written approval.
3. Following the signature of this Administration Agreement by the Parties, NDF shall, subject to Article 12 below, transfer the Contribution to the Bank in one single installment, upon the Bank's written request. The Contribution will be deposited in an account indicated by the Bank in writing. Upon receipt of such deposit, the Bank will convert the amount of the Contribution into United States dollars and will deposit them into an account held by the Bank in said currency for the administration of the Contribution (the "Account").
4. The Bank will administer the Contribution in accordance with the provisions of this Administration Agreement and the Bank's applicable policies and procedures, including those applicable for third party resources administered by the Bank. The Bank will exercise the same care in the discharge of its functions, as described in this Administration Agreement, as it exercises with respect to the administration and management of resources from other donors and will have no further liability to NDF in respect thereof.

5. a) The Contribution will be accounted for separately from the Bank's assets, and will be administered separately from other contributions received by the Bank, but may be commingled with other contributions from NDF.
- b) The Bank may freely exchange the Contribution funds into other currencies as may facilitate their administration and disbursement. The Bank will not be responsible for foreign exchange risk in the receipt, conversion or administration of Contribution funds. Any adverse impacts of potential foreign currency fluctuations during the implementation period shall be discussed by the Parties and appropriate remedial measures and amendments shall be negotiated if necessary. Notwithstanding the foregoing, neither NDF nor the Bank shall be obliged to contribute any additional funds as a result of any foreign currency fluctuations.
- c) Pending disbursement in connection with the Project, the Bank may at its discretion invest and reinvest the resources of the Contribution, following the Bank's investment policies, procedures and practices. Income earned from such investment and reinvestment shall be credited to the Account and returned to NDF, upon request from NDF or when the Account is closed, whichever occurs later.
6. To assist in the defrayment of the administrative costs in relation to the Contribution, the Bank will charge and retain a fee equal to five percent (5%) of the total amount of the Contribution, which may be withdrawn by the Bank from the Contribution, once the Contribution is converted into United States dollars. In addition, the Bank may also use the resources of the Contribution to cover the costs charged to the Bank related to the maintenance and transactions of the Account.

## IMPLEMENTATION

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

official approvals that may be required with respect to participation in any Project review missions.

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

## **REPORTING AND AUDIT**

10. The Bank shall provide NDF with:

- a) reports on implementation of the activities funded under the Contribution and other reports and information as NDF may reasonably request concerning the progress of the Project that the Bank can provide in its normal course of business, and ii) promptly, no later than six months following the completion of the Project, a final Project report;
- b) non-audited activity or financial reports of the Project, and, ii) promptly, and no later than six months from financial closure of the Project, a terminal financial report showing the receipts, income and expenditures under the Account and the remaining balance, if any (for the avoidance of doubt, the Bank will not provide audited financial statements of the Project); and
- c) should NDF require an external audit of the Account, NDF shall request the Bank for such an external audit in writing upon completion of the Project. The cost of this audit shall be charged against the Account, provided funds are available after settlement of all expenditures related to the Project. Alternately, upon agreement by NDF and the Bank the cost of such external audit shall be paid separately by NDF.

## **CONSULTATIONS, AMENDMENTS, TERMINATION AND DISPUTE SETTLEMENT**

11. As soon as possible upon completion of the Project, the Bank shall return to NDF any remaining uncommitted Contribution funds, including, if applicable, any income from investment or reinvestment in accordance with Article 5(c) above, unless otherwise agreed to in writing by the Parties.
12. NDF acknowledges that the Bank's commitment to use the Contribution as contemplated herein shall be subject to the Bank's formalization of all internal approvals necessary for the Project and/or the Project Document, and the Bank acknowledges that NDF's disbursement in accordance with Article 3 above is subject to such internal approvals.
13. The Bank shall endeavour to maximize opportunities to highlight the identity of NDF's contribution to the Project (e.g., through related signage, documentation and public

information about the activities, including the use of NDF's logo), and invite NDF representatives to participate in key events related to the Project. NDF shall be responsible for its own costs with respect to any participation in such events, unless the NDF and the Bank agree otherwise on a case-by-case basis.

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

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

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

a) For the Bank:

Inter-American Development Bank  
1300 New York Avenue, NW  
Washington, D.C. 20577  
UNITED STATES OF AMERICA  
Attention: Chief, Grants and Co-financing Management Unit  
Office of Outreach and Partnerships (ORP/GCM)  
Tel.: ++ 202-623-2018  
Fax: ++ 202-623-3489  
E-mail: [orp-gcm@iadb.org](mailto:orp-gcm@iadb.org)

b) For NDF:

Nordic Development Fund  
P.O Box 185  
FI-00171 Helsinki  
FINLAND  
Attention: Managing Director  
Tel.: ++ 358 618 002  
Fax: ++ 358 9 622 1491  
E-mail: [info.ndf@ndf.fi](mailto:info.ndf@ndf.fi)

16. This Administration Agreement will come into force on the date of its signature by each of the Parties and shall remain in full force and effect until the date on which the

Contribution has been fully disbursed by the Bank and all activities financed under the Contribution shall have been completed as set out in the Project Document.


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

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22. The Parties will seek to settle amicably any disputes that may arise from or relate to this Administration Agreement.

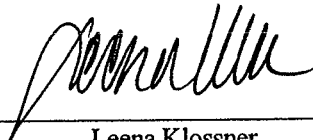
IN WITNESS WHEREOF, the Nordic Development Fund and the Inter-American Development Bank, each acting through its duly authorized representatives, have signed this Administration Agreement in the English language, on the dates indicated below.

**NORDIC DEVELOPMENT  
FUND**

  
\_\_\_\_\_  
Pasi Hellman  
Managing Director


Date: 9 Nov 2015

**NORDIC DEVELOPMENT  
FUND**

  
\_\_\_\_\_  
Leena Klossner  
Vice President  
Deputy Managing Director

Date: 9.11.2015

**INTER-AMERICAN  
DEVELOPMENT BANK**

  
\_\_\_\_\_  
Bernardo Guillamon  
Manager, Office of Outreach and Partnerships

Date: NOV. 4, 2015

## Technical Cooperation Document

### I. Basic Information

- Country/Region: Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, and Bolivia
- TC Name: Green Climate Fund Readiness Support for Central America and Bolivia
- TC Number: RG-X1255
- Associated Loan/Guarantee Name: N/A
- Associated Loan/Guarantee Number: N/A
- Team Leader/Members: Gloria Visconti, Team Leader (INE/CCS); Mateo Salomon; Sandra López, and Mariana Hernández (INE/CCS); Jorge Omar Samayoa (CCS/CGU); Miguel Aldaz (ORP/PTR); Escarlata Baza; and Virginia Franzini (LEG/SGO); and Alejandro Stamoglou (ORP/GCM)
- Taxonomy: Research and Dissemination
- Date of TC Abstract authorization: N/A
- Beneficiary: Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, and Bolivia
- Executing Agency: Inter-American Development Bank (IDB)
- Donors providing funding: Nordic Development Fund (NDF)
- IDB Funding Requested: US\$560,000<sup>1</sup>
- Local counterpart funding: US\$70,000
- Disbursement period: 36 months (execution period: 30 months)
- Required start date: October 2015
- Types of consultants: Firm and individual consultants
- Prepared by Unit: Climate Change and Sustainability Division (INE/CCS)
- Unit of Disbursement Responsibility: Infrastructure and Environment Sector (INE)
- TC Included in Country Strategy (Y/N): Yes
- TC Included in CPD (Y/N): N/A
- GCI-9 Sector Priority: Protect the environment, respond to climate change and promote renewable energy and food security

### II. Description of the Associated Loan/Guarantee

- 2.1 The Inter-American Development Bank (IDB) Climate Change Action Plan (2012 -2015) establishes that climate finance is a strategic line of action to strengthening knowledge, institutional capacity and promoting low carbon and climate resilient interventions. The IDB, through an effort co-lead by ORP and CCS, has recently been accredited by the Green Climate Fund (GCF) as an Implementing Entity and Financial Intermediary of the Fund which gives the opportunity to canalize international climate finance. The Bank has been working on the preparation of project funding proposals and other readiness activities to be submitted to the GCF. The IDB is also preparing another Technical Cooperation (TC) on GCF readiness in different Latin American and the Caribbean countries (RG-T2638); the information and knowledge sharing component will be developed in synergy with the TC RG-T2638 for an optimal use of resources and information sharing.

### III. Objectives and Justification of the TC

<sup>1</sup> Equivalent to EUR 500,000 approved by NDF. Exchange rate as June 12<sup>th</sup> 2015: EUR 1 = US\$1.126.

- 3.1 The objective of this Technical Cooperation is to support Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, and Bolivia<sup>2</sup> in preparing to, and facilitating the access to resources from the GCF, to enable and catalyze climate investments towards, low carbon, climate resilient technology and infrastructure (natural and physical), as well as to conserve essential natural resources which provide key local and global services.
- 3.2 The GCF is expected to become the main global fund for Climate Finance. A total of US\$10.2 billion has been pledged to date to the GCF, and a first set of project proposals is expected to be approved by the GCF Board by the end of 2015. To be able to present solid project proposals to the GCF, Central America countries and Bolivia require technical support in the process of prioritization and design of projects and the TC is focused to cover this gap. The Bank is well positioned to offer this support given its experience in channeling multilateral climate funds and leveraging its own resources.
- 3.3 This TC will build a strategic pipeline of projects for the GCF and other source of climate finance and will contribute with IDB's Climate Change Action Plan and the Ninth General Capital Increase in particular as it will "assist borrowing countries in climate change mitigation and adaptation issues, sustainable and renewable energy, and environmental sustainability". Furthermore, the TC will strengthen South-South learning among Central America Countries and Bolivia in different areas related to the Fund.
- 3.4 The TC is aligned with the IDB Country Strategy with Guatemala 2012-2016 (GN-2689), which prioritizes work in the crosscutting areas of climate change adaptation and mitigation, natural disaster impact mitigation, indigenous peoples and gender; also regional integration promotion. The TC is aligned with the IDB Country Strategy with Honduras 2012-2016 (GN-2796), that has two crosscutting sectors: (i) gender focus and development with identity; and (ii) climate change and disaster risk management. The TC is aligned with the IDB Country Strategy with Nicaragua 2012-2017 (GN-2683), which indicates that the strategy sectors: (i) energy; (ii) transportation; and (iii) health will take into account gender, diversity and climate change vulnerability reduction, mitigation and adaptation. The TC is aligned with the IDB Country Strategy with Bolivia 2011-2015 (GN-2631) that focuses on ensuring that the topics of adaptation to the effects of climate change and mitigation of the damage already caused are integrated into the design of operations in the transport, education, water and sanitation, and energy sectors. The TC is aligned with IDB Country Strategy with Costa Rica 2011-2014 (GN-2726)<sup>3</sup>, which prioritizes climate change mitigation and adaptation measures in the energy sector - hydroelectric and other renewable projects- and also intervention in transportation activities. The TC is also aligned with the IDB Country Strategy with El Salvador 2015-2019<sup>4</sup>, that has climate change as a crosscutting sector.

#### **IV. Description of activities/components and budget**

- 4.1 The IDB GCF support for Central America countries and Bolivia will offer tailored technical support to prepare and facilitate the access to GCF resources, based on their specific needs. The TC includes four main components:

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<sup>2</sup> The beneficiary countries have been identified by the Nordic Development Fund, that is supporting this TC, according to their geographical mandate.

<sup>3</sup> Valid until 2015.

<sup>4</sup> Under approval.

- 4.2 **Component 1: Information and knowledge sharing (US\$122,000).** This component will facilitate the access to information and knowledge on the specificity of the GCF to Bolivia and Central American countries and potential project developers. At the national level, support will be provided to the National Designated Authorities (NDAs) in sharing information on GCF opportunities and requirements, to a diverse range of stakeholders, through workshops and the preparation of relevant materials, i.e. different institutions at government level, private sector representatives, local financial institutions and NGOs. At regional, sub-regional, and national level, workshops will be organized and conducted in close coordination with countries NDAs to share early experiences on project prioritization and formulation with the GCF. The workshops will also highlight innovative financial instruments, policy, and schemes (such as risk transfer mechanisms, public private partnerships, focalization of subsidies, and results-based payments) that are relevant for the structuring of climate projects for the GCF. As a result, a diverse range of stakeholders from Bolivia and Central American countries will have a better understanding of the opportunities and requirements of the GCF.
- 4.3 **Component 2: Support to national entities for accreditation to the GCF (US\$81,000).** The project will provide on-demand support to national entities seeking accreditation to the GCF to assess their compliance with the requirements of the GCF and establish road maps for the accreditation process.
- 4.4 **Component 3: Identification and prioritization of projects (US\$115,000).** The third component will support Bolivia and Central American countries in identifying, and prioritizing projects to be submitted to the GCF. Based on ad hoc diagnostic analysis or existing assessments performed for, among others, the National Climate Change Communications (NCCs), the Biennial Update Reports (BURs), Intended National Determined Contributions (INDCs) and Nationally Appropriate Mitigations Actions (NAMAs), the project will provide on-demand support to countries to identify and prioritize a pipeline of projects for the GCF. These activities will also serve as basis for looking at the potential to create synergies with the IDB project pipeline. These activities will be developed in close coordination with the countries NDAs and relevant stakeholders. The result of this component will be a prioritized pipeline of projects to be presented to the GCF.
- 4.5 **Component 4: Detailed design of projects (US\$174,000).** This component will provide technical support to Bolivia and Central American countries in developing prioritized projects in their GCF pipeline into full project proposals to be presented to the GCF. Assistance will be provided to ensure that the proposed projects respond to the criteria of the GCF and that they can produce a strong transformational impact towards a low carbon and climate resilient development path. Participating Central American countries and Bolivia will benefit from the wealth of experience of the IDB in structuring climate finance projects and applying innovative and efficient financial mechanisms. As a result, the TC beneficiaries will be able to access the GCF, know about leveraging climate finance and scaling-up climate investments.

**Indicative Results Matrix**

Component	Outcome	Outputs	Unit	Base line	Year 1	Year 2	Year 3	Target
Component 1: Information	Increase awareness and	1.1 Organization and conduction of National and	# of workshops	0	1	1	1	3

Component	Outcome	Outputs	Unit	Base line	Year 1	Year 2	Year 3	Target
and Knowledge Sharing	understanding of opportunities and requirements of the GCF to national stakeholders <sup>5</sup>	Regional workshops on the GCF, in coordination with NDAs						
Component 2: Support to national entities for accreditation to the GCF	Increased understanding of requirements and gaps towards GCF accreditation of national entities	2.1 Gap analysis of Environmental and Social Standards and Fiduciary Standards for the GCF accreditation requirements	# of gap analysis for potential <sup>6</sup> national implementation entities for the GCF	0	2	0	0	2
		2.2 Roadmap of actions required to meet gaps identified in output 2.1	# of roadmaps for potential <sup>7</sup> national implementation entities for the GCF	0	2	0	0	2
Component 3: Identification and Prioritization of projects	Increased investment opportunities at national level that can potentially access GCF financial resources	3.1 Identification and prioritization of pipeline of projects that comply with GCF requirements	# of pipelines	0	3	3	0	6
Component 4: Detailed design of Projects	Full GCF proposal designed and submitted	4.1 Support to the preparation of feasibility studies associated with potential GCF full project proposals	# of feasibility studies	0	1	1	0	2
		4.2 Technical support to participant countries in preparing full GCF project proposals	# of full project proposals	0	2	2	2	6 <sup>8</sup>

<sup>5</sup> National stakeholders include institutions at government level, NGOs, private sector representatives and local financial institutions.

<sup>6</sup> Examples of potential entities are national development banks, national NGOs, national financial institutions. The final accreditation assessment is done by the GCF Secretariat and the GCF Accreditation independent panel.

<sup>7</sup> Idem.

<sup>8</sup> One per participating country.

Indicative Budget US\$

Activity/Component	PSG Funding	Counterpart Funding*	Total Fund
Component 1: Information and Knowledge Sharing	\$122,000	\$25,000	\$147,000
Component 2: Support to national entities for accreditation to the GCF	\$81,000	0	\$81,000
Component 3: Identification and Prioritization of projects	\$115,000	\$25,000	\$140,000
Component 4: Detailed design of Projects	\$174,000	\$20,000	\$194,000
Execution, monitoring and evaluation	\$40,000	0	\$40,000
Fee 5%	\$28,000	0	\$28,000
<b>Total</b>	<b>\$560,000</b>	<b>\$70,000</b>	<b>\$630,000</b>

\*In kind contribution: human resources within the NDA.

- 4.6 NDF is expected to commit EUR 500,000 to this project, which is equivalent to US\$560,000, based on the exchange rate as of June 12, 2015. The final amount of resources in U.S. dollars will depend on the exchange rate applied on the date upon which the resources are received by the IDB from NDF in euros and converted into U.S. dollars, pursuant to the terms of the administration agreement to be entered into between NDF and the IDB, as further detailed below. If a significant adverse movement in exchange rates reduces the amount of U.S. dollars contemplated in this budget from NDF's contribution, the activities contemplated in the project will be decreased appropriately and the budget will be adjusted accordingly by the project team.
- 4.7 Financial resources for this project to be received from NDF will be provided to the IDB through a Project Specific Grant (PSG). A PSG is administered by the IDB according to the "Report on COFABS, Ad-Hocs and CLFGS and a Proposal to Unify Them as Project Specific Grants (PSGs)" (Document SC-114). As contemplated in these procedures, and in the "Cooperation Agreement between NDF and the IDB for the Cofinancing of Programs and Projects", dated as of October 2, 1994 and amended and restated as of January 26, 2010 (Article IV, Section 6), the commitment from NDF will be established through a separate "Administration Agreement" between NDF and the IDB. Under such Administration Agreement, the resources for this project will be administered by the IDB and the IDB will charge an administration fee of 5% of the contribution, which is duly identified in the budget for this project. The 5% administration fee will be charged after the contribution has been converted into U.S. dollars. The resources of the contribution will be available once the Administration Agreement is signed by NDF and the IDB, and the contribution funds are received by the IDB and converted into U.S. dollars.

**V. Executing agency and execution structure**

- 5.1 NDF has elected the IDB as executing entity of GCF readiness resources for Central America and Bolivia. INE/CCS, in its role as technical focal point for GCF and other climate funds, is leading GCF related activities in close cooperation with other Divisions and Departments of the Bank. Activities under TC components 3 and 4 will require a close involvement of INE operational Divisions as well as other Departments of the Bank.
- 5.2 Prior to the initiation of the project activities, the Bank will obtain the corresponding no objection from each of the beneficiary countries.

- 5.3 The project team will be responsible for the preparation of the project reporting in compliance with the stipulation of the Administration Agreement in coordination with the Office of Outreach and Partnerships (ORP/GCM).
- 5.4 If at the end of project execution the project was closed with a positive uncommitted and unspent balance, the project team will be responsible for informing ORP/GCM to transfer the unspent balance as agreed to by the NDF and the Bank pursuant to the terms of the PSG Administration Agreement.
- 5.5 The Bank will contract individual consultants, consulting firms and non-consulting services in accordance with current Bank's procurement policies and procedures.

**VI. Major Issues**

- 6.1 The main risk of this TC is that those projects prioritized and submitted to the GCF are not approved. The activities of the TC seek to mitigate that risk by ensuring that the submitted proposals comply with the GCF criteria and are well designed taking advantage of the existent expertise of IDB operational Divisions. An additional risk is the increased competition and multiple channels to access the GCF. The TC will promote the capacity and added value of the IDB and support the positioning of the Bank as a relevant partner for the GCF and LAC countries.

**VII. Exceptions to Bank policy**

- 7.1 No exceptions to Bank policy are envisioned.

**VIII. Environmental and Social Strategy**

- 8.1 It is not anticipated that the activities of this TC will have negative direct social or environmental impacts, as it classified as Category "C" per the Environment and Safeguards Compliance Policy (OP-703) (Safeguard Screening Form / Safeguard Policy Filter Report). Projects supported by this TC and submitted to the GCF will have their own environmental and social screening and classification.

**IX. Required Annexes:**

- Letter of Request from the countries
- Terms of Reference
- Procurement Plan

Approved: Original Signed

Date: 10/08/2015

Amal-Lee Amin  
Climate Change and Sustainability Division Chief

