

**ADMINISTRATION AGREEMENT
BETWEEN
THE
ITALIAN MINISTRY FOR THE ENVIRONMENT LAND AND SEA
AND
INTERNATIONAL FINANCE CORPORATION

FOR

THE FINANCIAL SUPPORT OF
CLEAN ENERGY ACCESS PROGRAM
RELATING TO
THE SUSTAINABILITY BUSINESS INNOVATOR FACILITY**

Agreement dated as of July 20, 2010 between the ITALIAN MINISTRY FOR THE ENVIRONMENT, LAND AND SEA, (the "Donor") and the INTERNATIONAL FINANCE CORPORATION ("IFC"), an international organization established by Articles of Agreement among its member countries (including Italy) and a member of the World Bank Group¹ ("WBG"), to provide for the creation of a trust fund to finance advisory services for the Clean Energy Access Program.

WHEREAS:

- (A) Following up on the Global Partnership established under the Major Economies Forum, the Renewable and Efficiency Deployment Initiative (Climate REDI) was launched in Copenhagen at the 15th Conference of the Parties to accelerate deployment of renewable energy and energy efficiency technologies in developing countries – reducing greenhouse gas emissions, fighting energy poverty and improving public health for the most vulnerable, particularly women and children.
- (B) The Climate REDI Initiative includes the Solar and LED energy access program (SLED) for which the Italian Ministry of the Environment, Land and Sea announced its support at the launch.
- (C) As agreed under the Climate REDI Initiative, and following up on SLED, IFC has established an initiative called the Clean Energy Access Program ("CEAP"). The Donor has expressed its interest to fund the initiative by providing thirty million dollars (USD 30,000,000) for the advisory services component and investments component of CEAP as described in Annex A. This agreement addresses the terms and conditions for the funds to be allocated to the advisory component of CEAP (the "Program"). The funds allocated by the Donor for the investment component of the Program will be subject to the terms and conditions of a separate agreement.

¹ The World Bank Group consists of the International Finance Corporation (IFC), the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID).

(D) The objectives of CEAP are:

- i. to transform markets for affordable, clean, and quality off-grid energy products and services;
- ii. to promote the development of off-grid energy technologies and business models, and by addressing key market barriers that inhibit the development of sustainable delivery models and commercial replication;
- iii. to address fundamental barriers to global market development by providing advisory services and flexible investment financing; and
- iv. (iv) to facilitate investments focused on promoting investments in clean off-grid energy.

(E) The Donor has expressed strong support for the Program with particular emphasis on the need for a flexible, long-term approach whereby the Program is initially agreed on and reviewed regularly to ensure that existing and new initiatives are adapted to achieve maximum impact.

(F) IFC is prepared to utilize funds provided by the Donor for the purpose of financing the Program within the framework of the Sustainability Business Innovator. IFC shall utilize such funds in accordance with IFC's standard policies and procedures and in accordance with the terms and conditions set forth in this Agreement.

NOW THEREFORE, the parties hereto agree as follows:

1 The Grant

- 1.1 The initial contribution of the Donor under this Agreement is USD 10,000,000 (ten million dollars).
- 1.2 The Donor may later agree with IFC to contribute additional funding support for the Program, which shall be governed in all respects by this Agreement unless otherwise agreed.
- 1.3 The initial contribution and any subsequent funding from the Donor under this Agreement together with any income from investment and reinvestment shall be referred to as the "Grant Funds" in this Agreement.

2 The Program

- 2.1 The outline of the Program is summarized in the Annex A to this Agreement.
- 2.2 The Program is currently projected to be carried out until June 30, 2022 which includes the supervision period of the projects. However, the Program may be extended beyond that date by agreement of the parties.

- 2.3 Utilization of the Grant Funds is conditional on the parties agreeing to a work plan presented annually by IFC and including a description of activities, list of targeted countries and technologies, major milestones and an indicative budget.
- 2.4 The Grant Funds shall be utilized by IFC to meet the costs of the Program in accordance with IFC's applicable procedures. Such costs shall include those of IFC's consultants and staff dedicated to the Program, equipment, workshops/training, grants, office space and furniture, travel and communications, public relations and business development expenses, termination costs as specified in paragraph 5.2, and any other costs incurred in the execution of the Program. The Grant Funds may be used for the payment of salaries and benefits for IFC's staff and consultants only to the extent that their work is dedicated to the Program.
- 2.5 The selection and recruitment of consultants, consulting firms, experts, staff and other suppliers of services shall be the responsibility solely of IFC and shall be carried out in accordance with its usual procedures and shall not be tied by nationality.
- 2.6 IFC may seek funding from sources other than the Donor for the Program and/or specific projects or components of the Program.

3 Disbursement and Deposit of Funds

- 3.1 Unless agreed otherwise by the parties, the initial contribution of ten million United States dollars (USD 10,000,000) shall be made to the Trust fund as defined in paragraph 3.4 below by transferring that amount from the Donor's Trust Fund with the IBRD TF052032 upon the instruction from the Donor to IBRD.
- 3.2 Save in respect of the initial disbursement, a disbursement request may be submitted by IFC before full utilization of the previous disbursement, and shall be processed expeditiously by the Donor to ensure that the Program does not face any funding shortfalls or delays.
- 3.3 All amounts disbursed by the Donor shall be deposited into the International Bank for Reconstruction and Development ("IBRD") Cash Account "T" (Account No. 37342584, Swift Bic Code: MIDLGB22; IBAN Number GB47MIDL40051537342584 maintained with HSBC Bank PLC, London) (the "T-Account") for payments in United States dollars.

When making deposits, the Donor shall instruct their bank to include in their payment details information (remittance advice) field of their SWIFT payment message, information indicating:

- a. the amount paid,
- b. that the payment is for the Donor for Clean Energy Access Program Trust Fund Nr. TF071518, (the "Trust Fund"), and
- c. the date of the deposit.

In addition, the Donor shall send a copy of its payment request to IBRD's Trust Funds Division (by Fax to +1-202-614-1315 or by email to tfremittadvice@worldbank.org) and by fax to the Controller, Sustainable Business Advisory Department, IFC Washington DC, to Fax No. +1-202-974-4800.

- 3.4 Upon receipt of the Grant Funds, if funds are received in a currency other than United States dollars, the funds shall be converted into United States dollars and transferred to IBRD's cash account "T" (Account No. 37342584, Swift Bic Code: MIDLGB22; IBAN Number GB47MIDL40051537342584 maintained with HSBC Bank PLC, London account no. or such other account that IFC or IBRD may indicate in writing (the "T-Account"). All financial reports shall be prepared in United States dollars. All Grant Funds may be freely exchanged into other currencies as may facilitate their disbursement by IFC.
- 3.5 The Grant Funds shall be accounted for as a single trust fund. IFC shall have the right to commingle the funds in the Trust Fund with other trust funds assets maintained by IBRD and IFC, provided however that all such assets shall be kept separate and apart from those of IBRD and IFC.
- 3.6 IFC may establish sub-accounts within the Trust Fund for each project in the Program. Grant Funds may be allocated to these sub-accounts, and subsequently may be reallocated between sub-accounts within the Program, as agreed by IFC and the Donor.
- 3.7 At the time of receipt of each disbursement from the Donor, five percent (5%) of the amount received shall be deducted from the amount received and retained by IFC to help cover the costs of administration and other expenses incurred by IFC.
- 3.8 IBRD, on behalf of IFC, may invest and reinvest the Grant Funds pending their application. The income from such investment and reinvestment shall be credited to the Trust Fund for use for the purposes of the Program.

4 General Provisions, Reporting and Auditing

- 4.1 For the purpose of reviewing progress and agreeing on the Program activities, it is the intention of the parties that review meetings will be held at least once every year. The venue and timing of the review meetings will be agreed by the parties.
- 4.2 Progress reports will be delivered annually in accordance with the provisions of paragraph 4.5, unless a mid-term progress report is specifically requested by the Donor. In the event of any agreed changes in the Program, the parties may agree to adjustments within the overall budget of the Program and to changes to the scope, content, timing and cost of the Program and projects in the Program. Decisions on any such changes shall be documented by a revision of Annex A, duly signed and dated by the representatives of the Donor and IFC.
- 4.3 IFC shall exercise the same care in the discharge of its function under this Agreement as it exercises with respect to the administration and management of its own affairs and shall have no further liability to the Donor. The Donor acknowledges that there is a risk of partial or complete failure of the Program or of any counterparty to fulfill its obligations under the documentation executed in connection with the utilization of the Grant Funds under the Program, including any obligation of such counterparty to repay such funds.
- 4.4 To the extent necessary, IFC may use any part of the Grant Funds to (i) indemnify and hold IFC harmless against, and pay or otherwise reimburse IFC for, any losses, claims, damages or liabilities that IFC and/or any of its employees, officers, or agents may incur or become subject to, including without limitation as a result of any claim, suit or action brought against any of them by

any third party on whatever grounds in connection with the operation of the Program by IFC or the reliance by any person on any thing done or not done by IFC, and (ii) reimburse IFC for any expenses, including any legal expenses, reasonably incurred by IFC in connection therewith; provided, however, that the foregoing right to indemnity and reimbursement will not apply to the extent that a court of competent jurisdiction determines in a final judgment that any such loss, claim, damage or liability results from the willful misconduct or gross negligence of IFC.

- 4.5 IFC shall have sole responsibility for the supervision and execution of the Program and shall report to the Donor annually of the progress of Program activities, unless a mid-term progress report is specifically requested by the Donor. These reports shall include, a concise review of activities and results (including final reports when applicable). The format and content of financial reports shall be consistent with the IFC's accounting system.
- 4.6 IBRD, on behalf of IFC, shall maintain separate records and accounts in respect of the Grant Funds in the T-Account and funds disbursed from it by IFC pursuant to the provisions of this Agreement. IBRD, on behalf of IFC, shall make available to the Donor current financial information relating to receipts, disbursements and fund balance in United States dollars with respect to the Donors' Funds via the World Bank's Trust Funds Donor Center secure website (<https://clientconnection.worldbank.org>). The financial information will be updated on a monthly basis. In addition, within six (6) months following the end of each of IBRD's fiscal years, IBRD, on behalf of IFC, will provide the Donor the annual single audit documents comprising (1) a management assertion together with an attestation from IBRD's external auditors concerning the adequacy of internal control over cash-based financial reporting for trust funds as a whole; and (2) a combined financial statement for all cash-based trust funds together with the external auditor's opinion thereon. The costs of such attestations will be borne by IBRD. In addition if the Donor wishes to request, on an exceptional basis, a financial statement audit by IFC's external auditors of the Trust Fund established under this Agreement, the Donor and IFC will first consult as to whether such an external audit is necessary. The Donor and IFC will agree on the most appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, IFC will arrange for such external audit. The costs of such an audit, including the internal costs of IFC with respect to such audit, will be borne by the Donor.

5 Duration and Termination

- 5.1 Subject to paragraphs 5.2 and 5.3 below, this Agreement shall continue to be in effect until the Grant Funds shall have been fully utilized by IFC in accordance with the terms of this Agreement and each of the parties has fully satisfied its obligations under this Agreement, unless otherwise agreed between the Donor and IFC.
- 5.2 Either party may at any time, by ninety (90) days' notice in writing, terminate this Agreement in whole or cancel any portion of the undisbursed and uncommitted Grant Funds, in which event IFC shall have no claim against the Donor by reason of such termination or cancellation other than payment of expenses actually incurred or committed under this Agreement prior to the date of such termination or cancellation, less any sums previously paid on account thereof. Such expenses shall include, but not necessarily be limited to, all shutdown costs and final report, payout of staff and consultant contractual salaries and benefits, (collectively, "Termination Costs"). IFC may deduct these Termination Costs from the Grant Funds. Such termination or cancellation shall not affect any agreements entered into between IFC and staff and consultants, other persons or third parties prior to IFC's giving or receiving such notice of termination or cancellation, and where such

agreements cannot be cancelled IFC shall be entitled to continue to make disbursements and receive further disbursements from the Donor in respect of such agreements as if this Agreement had not been so terminated or the Grant Funds or any portion of them not been cancelled, provided that: (i) IFC has fulfilled all its duties, responsibilities and obligations to the date of termination or cancellation, as specified in this Agreement and; (ii) the Program was not unilaterally terminated by IFC without consultation with the Donor.

- 5.3 If any portion of the Grant Funds remains in the Trust Fund after June 30, 2022, or in the event of an earlier termination of this Agreement or of the Program, IFC and the Donor shall agree on the disposition of these funds. In the event that IFC and the Donor do not reach any agreement on the disposition of any remaining funds, IFC shall return to the Donor any unutilized and uncommitted portion of the Grant Funds, and shall provide a final report to the Donor promptly thereafter. IFC shall have no liability to the Donor under this Agreement except for the return of unutilized and uncommitted funds after application to costs, including Termination Costs, contemplated under this Agreement.
- 5.4 Following completion or termination of the Program, any equipment purchased for the Program shall be either transferred to the project beneficiaries or disposed of in accordance with normal IFC procedures or retained by IFC for use in other parts of the Program.

6 Acknowledgements

- 6.1 Where appropriate to do so in the opinion of IFC, IFC shall acknowledge the Donor's contribution in any reference made by IFC with respect to the projects in the Program in publications, speeches, press releases or other similar publications.
- 6.2 The Program is not a separate legal entity, but rather is a program of IFC currently administered by its Sustainability Advisory Department. References in this Agreement to "donor partners" or "partnership" are not intended to create or imply a legal partnership between or among IFC, the Donor, and any other donor.

7 Other Provisions

- 7.1 This Agreement together with Annex A, as amended or supplemented from time to time, constitutes the entire agreement between IFC and the Donor with respect to the Program.
- 7.2 This Agreement and its Annex A may be amended only by written agreement of the parties hereto.
- 7.3 The Donor and IFC shall seek amicably to settle all differences and disputes arising out of or in connection with the implementation of this Agreement.
- 7.4 Any notice or request required or permitted to be given under this Agreement shall be in writing and shall be given at each party's address as follows:

For the Donor:

Corrado Clini
Director General
Department for Sustainable Development, Climate Change and Energy
Ministry of the Environment, Land and Sea
Via Cristoforo Colombo, 44
00147 Roma
Attention: Director General
Fax: +39 06 57228148

For IFC:

International Finance Corporation
2121 Pennsylvania Avenue NW
Washington DC 20433
USA
Attention: Manager, Sustainability Advisory Department
Fax: +1-202-974-4800

With copy to:
The Director
Partnerships and Advisory Services Operations Department
International Finance Corporation
2121 Pennsylvania Ave., N.W.
Washington, D.C. 20433
Fax: +1-202-974-4344

IN WITNESS WHEREOF, the authorized representatives of the parties hereto have signed this Agreement.

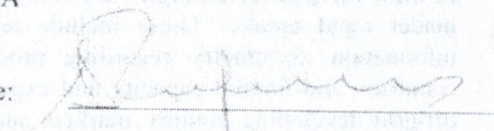
INTERNATIONAL FINANCE CORPORATION

MINISTRY FOR THE ENVIRONMENT, LAND AND SEA

Signature:



Signature:



Name:

Rachel Kyte

Name:

Stefania Prestigiacomo

Title:

Vice President, Business
Advisory Services

Title:

Minister



ANNEX A
TO THE ADMINISTRATION AGREEMENT
BETWEEN
THE ITALIAN MINISTRY FOR THE ENVIRONMENT, LAND AND SEA
AND
INTERNATIONAL FINANCE CORPORATION

FOR

THE FINANCIAL SUPPORT OF
A PROGRAM OF ADVISORY SERVICES AND INVESTMENTS
RELATING TO
CLEAN ENERGY ACCESS PROGRAM

Introduction: Approximately 1.6 billion people in developing countries – largely in rural and remote areas – lack access to electricity. For their most basic energy needs, including lighting, heating and cooking services, many of them rely on primitive technology that burns carbon-intensive fuels (including kerosene, paraffin, charcoal, and wood) that are expensive, unhealthy, dangerous, inefficient and environmentally harmful. Slow progress with grid-based rural electrification in many countries suggests that decentralized solutions will be the key to expanding energy access more rapidly.

Emerging technologies offer great promise in this area; small solar-powered appliances for LED lighting and light loads such as cell phone charging and radio, larger solar home systems, and other renewable energy solutions can provide economically and environmentally sustainable energy services. Applied either as stand-alone kits or in mini-grids, such solutions reach the market through a variety of business and distribution models: for example, solar lanterns sold as consumer products, lamps leased and charged at solar charging kiosks, and mini-grids built around off-grid cell phone towers or run by rural cooperatives and related models.

Despite the transformative potential of these emerging technologies and innovative business models, many of these off-grid technologies are still at an early stage of market penetration and several market barriers hinder rapid uptake. These include relatively high first costs compared with established practices, information asymmetry regarding product quality, policy and regulatory barriers within particular countries, and limited capacity and experience of companies with the right technology to do business in off-grid developing country markets and identify suitable local partners. Notably, financing constraints also prevent many promising companies from piloting new business models and scaling up production and delivery. As a result, product and energy service prices are too high for many low-income people (even if life cycle costs of ownership are lower) and many delivery models remain untested or confined to small pilot projects. The proposed Clean Energy Access Program (CEAP) aims to make promising off-grid clean energy technologies broadly affordable to low income households by helping companies standardize and scale up production and effective delivery approaches.

Program objectives: The primary objective of this program is to transform markets for affordable, clean, and quality off-grid energy products and services. The program aims to reach its goal by promoting the development of off-grid energy technologies and business models, and by addressing key market barriers that inhibit the development of sustainable delivery models and commercial replication. The program will thus address fundamental barriers to global market development rather than focusing on short-term support for individual projects and investments that do not lead to broader market development.

The initial 5-year Clean Energy Access Program (CEAP) program aims to facilitate the extension of off-grid energy access to 10 million low income people in low and middle income countries. CEAP will encourage changes in both the production and distribution segments of the market. On the production side, interventions on quality assurance and producer support programs are intended to catalyze product development and industry motivation with global impact. On the market side, local interventions in the target countries may include capacity building and access to finance for local distribution and service companies as well as market support efforts, such as consumer education initiatives. It is expected that the combined demand-pull from these efforts will substantially enhance competition and lower the price of key energy service delivery in off-grid areas.

Program components: IFC, a member of the World Bank Group, will manage and implement CEAP. The primary IFC interventions associated with the program are expected to include a mix of the following:

Investment Component

1. **Financing.** Catalyzing commercial financing for producers and distributors of affordable quality-assured off-grid energy products as well as for off-grid energy service providers. This financing will help develop and demonstrate business models and technologies that are near commercial. This should grow the markets as prices drop due to increased production, improved delivery models, enhanced local service and maintenance capacity, and other related elements of market development. Donor funds could be deployed in the form of concessional (below commercial rate) finance, such as for direct investments (equity, mezzanine and debt, self-standing or combined with commercial IFC investments), competitively distributed grants, and risk-sharing tools, including guarantees and first loss facilities. In addition, technical support may be used in parallel to maximize benefits. The funds would mobilize additional commercial investments and stimulate competition, rather than supplant them.

Advisory Component

2. **Quality assurance.** Building an international program for quality assurance, including product testing and labeling, to support consumers in making informed purchasing decisions and prevent market spoiling for off-grid renewable energy products. The quality assurance program, which would likely rely on technical support from research institutions in participating countries, would seek to overcome quality control issues that have hindered the spread of consumer lighting and other energy technologies not yet widely used in the market. It would build upon past IFC experience with the "Green Leaf" label for compact florescent lights as well as the Lighting Africa quality assurance program developed for LED-based lanterns.
3. **Consumer education.** Carrying out consumer education activities, with a focus on raising awareness about the importance of purchasing quality-assured renewable energy systems and supporting consumers in making informed choices.
4. **Capacity building.** Providing technical support to companies to enable them to raise capital and to effectively market suitable off-grid renewable energy systems to individuals, communities and businesses without access to (reliable) electricity.
5. **Enabling environment.** Engaging key policymakers to create a favorable environment for the growth of a market for commercial off-grid lighting.
6. **Sustainability.** Developing collaborative industry and government initiatives that addresses environmental sustainability issues, including systems to minimize the waste stream from batteries and electronic devices.

The initial focus of the program is expected to be on the immediate opportunity to quickly expand the market for off-grid internationally-traded lighting appliances (e.g. solar powered LED systems), which are rapidly evolving and benefit from the framework for international market transformation already laid by the World Bank Group's Lighting Africa program. Additional opportunities for market transformation in the off-grid energy sector may be pursued as opportunities arise.

Program component 1 (PC1) a member of the World Bank Group, will manage and implement the program. PC1 interventions associated with the program are expected to include a mix of the following:

1. Financing: Enabling commercial financing for producers and distributors of affordable quality, energy-efficient lighting appliances as well as for off-grid energy service providers. This financing will help develop and demonstrate business models and technologies that are near-commercial. This should grow the market as prices drop due to increased production, improved delivery models, enhanced local service and maintenance capacity, and other related elements of market development. Loans could be provided in the form of concessional (below commercial rates) interest, such as for direct investments (equipment, installation and debt), seed-startup or combined with commercial (PC2) investments, co-financing, grants, and risk-sharing tools including guarantees and first-loss facilities. In addition, technical support may be used to maximize benefits. Investments would include additional commercial investments and a public competition rather than support them.

2. Quality assurance: Building an international program for quality assurance, including product testing and labeling to support investment in making improved purchasing decisions and prevent market flooding by off-grid renewable energy products. The quality assurance program, which would focus on technical support from research institutions in participating countries, would seek to determine policy options that have hindered the spread of consumer lighting and other energy technologies not yet widely used in the market. It would build upon past IFC experience with the "Africa Test" tool for compact fluorescent lights as well as the Lighting Africa quality assurance program developed for LED-based lanterns.

3. Consumer education: Enabling consumer education activities with a focus on lighting appliances about the importance of purchasing quality-assured renewable energy systems and supporting consumers in making informed choices.

4. Energy barriers: Providing technical support to companies to enable them to raise capital and to effectively market reliable off-grid renewable energy systems to individuals, communities and businesses without access to electricity.

5. Enabling environment: Engaging key policymakers to create a favorable environment for the growth of a market for commercial off-grid lighting.

6. Sustainable financing: Encouraging innovative industry and government initiatives that address environmental sustainability issues, including systems to minimize the waste stream from battery and electronic devices.