Mr. Clemente Del Valle Borráez  
President  
Financiera de Desarrollo Nacional  
Carrera 7 # 71-52, B Tower, 6th Floor  
Bogotá, Colombia  
Colombia

Re: CTF Grant No. TF0A6039  
Preparation of Proposed Clean Energy Development Project  
Letter Agreement

Dear Mr. Del Valle:

In response to the request for financial assistance made on behalf of the Financiera de Desarrollo Nacional ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by various donors ("Donors") under the Clean Technology Fund ("CTF"), proposes to extend to the Recipient, for the benefit of the Republic of Colombia, a grant in an amount not to exceed nine hundred fifty three thousand United States Dollars (USD 953,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

August 30th, 2018
Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date specified by the World Bank in accordance with Article IV of the Annex to this Agreement; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement from the Recipient within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By Ulrich Zachau
Country Director for Colombia and Venezuela
Latin America and the Caribbean

AGREED:

FINANCIERA DE DESARROLLO NACIONAL

By

Authorized Representative

Name Clemente Del Valle
Title President
Date August 30th, 2018

cc: H.E. Mauricio Cárdenas Santa María, Minister of Finance and Public Credit, Republic of Colombia

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with the “Disbursement Guidelines for Investment Project Financing”, dated February 2017
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions"), constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

(a) “Clean Energy Development Program” or “Program” means the Recipient’s project that is being proposed to be supported by a CTF guarantee, that would assist the Recipient in mobilizing private investment for large-scale renewable energy and energy efficiency in the industrial sector, and for which this preparation Grant is being carried out.

(b) “Environmental and Social Management System/Framework” or “ESMS/ESMF” means the Recipient’s framework for the Program, consistent with the Performance Standards, and acceptable to the World Bank, outlining general implementation procedures, mitigation measures and monitoring procedures for environmental and social purposes, as said framework may be amended from time to time with the World Bank's prior approval.

(c) “Operating Costs” means the incremental expenses, acceptable to the World Bank, incurred on account of Project implementation, including office supplies, vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office maintenance costs, utilities, travel cost for Project staff and salaries of support staff for the Project, but excluding salaries of officials of the Recipient’s civil service.

(d) “Performance Standards” means the World Bank Performance Standards for Private Sector Activities as approved by the World Bank’s Board of Executive Directors on June 26, 2012.

(e) “Training and Workshops” includes reasonable expenditures, acceptable to the World Bank, incurred for the organization of training events and workshops, including, *inter alia*, training materials and rental of training facilities and equipment, local travel and per diem for participants, tuition fees, travel, accommodation and *per diem* of trainers and trainees, printing of documents, communications, and various supplies needed for the workshops.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to support the preparation of the Clean Energy Development Program. The Project consists of the following parts:

(a) Conducting a market/risk assessment and identifying a sub-project pipeline for the Program, including, *inter alia*: (i) market sounding, identification and quantification of risks; (ii) identification of projects and business opportunities in renewable energy and energy efficiency (data collection and structuring of potential pipeline based on criteria pre-agreed with the World Bank); and (iii)
design of a specific process to subscribe and qualify energy renewable and energy efficiency sub-projects.

(b) Providing technical support and inputs for the preparation of the ESMS/ESMF, including, \textit{inter alia}: (i) a review of national social and environmental policies, regulations and technical protocols; (ii) development of the ESMS/ESMF; and (iii) organization of consultation processes to assess environmental and social impacts, and related capacity-building activities.

(c) Providing technical support for prefeasibility and other technical studies for renewable energy and energy efficiency sub-projects in the expected Program pipeline, including, \textit{inter alia}, a review of existing studies, and the strengthening of technical assessments for sub-projects with high probability of success;

(c) Providing financial advisory and structuring support for the Program, including, \textit{inter alia}: (i) market testing; (ii) the design and development of appropriate credit enhancement and risk mitigation products to de-risk sub-projects and attract long-term investments; (iii) analysis and customization of proposed sub-projects under the Program, which have feasibility studies funded by other development partners; and (iv) engagement of consultants to provide the structuring advisory required for financial closing.

(d) Strengthening the integration analysis and grid code, including, \textit{inter alia}, a review the existing renewable energy integration study, to provide recommendations for amendments to the grid code or other technical protocols.

(e) Carrying out training, knowledge sharing, and dissemination activities, including, \textit{inter alia}: (i) the development and launching of a communications strategy to disseminate and inform on the risk mitigation facilities under the Program; and (ii) the preparation of materials for knowledge sharing activities.

2.02. \textit{Project Execution Generally}. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. \textit{Institutional and Other Arrangements}. (a) Without limitation upon the foregoing, the Recipient shall: (i) implement the Project in a manner satisfactory to the World Bank; and (ii) maintain, until completion of the Project, staff with experience, qualifications and expertise satisfactory to the World Bank, for the day-to-day implementation of the Project.

2.04. \textit{Project Monitoring, Reporting and Evaluation}. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five days after the end of the period covered by such report.
(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.05. Financial Management. (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, or such other period agreed with the World Bank and set forth in the additional instructions referred to in Section 3.01 below. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. Procurement

All goods, non-consulting services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in the “World Bank Procurement Regulations for IPF Borrowers” dated July 2016, revised November 2017 and as of August 2018 (“Procurement Regulations”), and the provisions of the Recipient’s procurement plan for the Project (“Procurement Plan”) dated May 23, 2018 provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “Disbursement Guidelines for Investment Project Financing”, dated February 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ services, Operating Costs, and Training and Workshops</td>
<td>953,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>953,000</td>
<td></td>
</tr>
</tbody>
</table>
3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is March 30, 2019.

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### Article IV

#### Effectiveness; Termination

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following condition has been met, namely that a core fiduciary team has been appointed and trained by the Recipient in a manner satisfactory to the World Bank.

4.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.03. **Termination for Failure to Become Effective.** This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 120 days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

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### Article V

#### Recipient’s Representative; Addresses

5.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the President of FDN.

5.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

   Financiera de Desarrollo Nacional  
   Carrera 7 # 71-52, B Tower, 6th Floor  
   Bogotá, Colombia  
   Phone: (571) 3264999  
   Email: financieradedesarrollonacional@fdn.com.co

5.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

   International Bank for Reconstruction and Development  
   1818 H Street, N.W.  
   Washington, D.C. 20433, United States of America  
   Facsimile: 1-202-477-6391