Mr. Venu Rajamony  
Joint Secretary (M1)  
Department of Economic Affairs  
Ministry of Finance  
Government of India  
New Delhi

Dear Sir:

Re: DFID Grant Agreement for Scaling up Deployment of Renewable Energy Technology for Promoting Innovative Business Models – Trust Fund Grant No (TF098416)

In response to the request for financial assistance made on behalf of India ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association ("World Bank"), acting as administrator of grant funds provided by the Department for International Development of the United Kingdom (DFID) under the Trust Fund for DFID-World Bank Strategic Partnership for India-III (TF071225), proposes to extend to the Recipient a grant in an amount not to exceed one million one hundred thousand United States Dollars (U.S.$1,100,000) ("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. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds 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.

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 of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION

/s/ Roberto Zagha
Roberto Zagha
Country Director, India

Headquarters Washington DC U.S.A
AGREED:
INDIA

By ________________________________
Authorized Representative

Name VENU RAJAMONY

Title JOINT SECRETARY

Date 21.04.2011

Enclosures:


cc: Ms. Kavita Prasad, Director, Department of Economic Affairs, Ministry of Finance, GoI
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 ("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.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to support preparation of sustainable and replicable business models that are both entrepreneur driven and delivery based, for providing energy solutions to rural areas using renewable energy technologies across India and not restrict them based on geographical boundary. The Project consists of the following parts:

Part I: **Developing Pipeline of Renewable Energy Technology (RET) Projects:** (i) providing assistance to eligible applicants with preparing and initiating implementation of RET projects in rural areas, which would include: development of detailed project proposals, market assessment, financial models, risk analysis, economic analysis to assess impact on economic development and enhanced livelihoods; (ii) building the capacity of developers to help them prepare viable projects, create awareness within the community and build consensus among the local population and secure financing.

Part II: **Project Management and Monitoring:** providing support to the Project Management Unit (PMU) and the Ministry of New and Renewable Energy (MNRE) for the operations and management of the project, which include: administration of the Technical Assistance funds, managing procurement activities, assisting applicants in developing project proposals, and monitoring project activities?

Part III: **Documentation/ Knowledge Dissemination:** (i) developing workshops, training programs and learning systems for entrepreneurs to promote best practices and sharing successful experiences and harnessing essential technical, business, and managerial skills among project developers and entrepreneurs; (ii) disseminating relevant information to NGOs, the private sector, and the community through workshops, forums, seminars and internet; (iii) disseminating lessons learnt from project implementation and related monitoring results through conferences, workshops, road shows and the project website.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Project Management Unit (PMU) of the Ministry of New and Renewable Energy (MNRE) 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 ("Anti-Corruption Guidelines"), with the modifications set forth in Section I of the Appendix to this Agreement; and (c) this Article II.
2.03. **Institutional and Other Arrangements.** (a) The Recipient shall establish and maintain through the period of Project implementation a Project Management Unit (PMU) in the Ministry of New and Renewable Energy, for day-to-day operation and management of the project, with qualified staff in adequate numbers, including Financial Management staff, all with qualifications and experience and terms of reference satisfactory to the World Bank.

(b) The Recipient shall maintain throughout the period of Project implementation a Project Steering Committee (PSC), chaired by the Secretary of MNRE and consisting of Joint Secretary, MNRE, member representatives from concerned central Ministries/Departments and the project manager to: monitor the press towards meeting project deliverables; ensure that the project objectives are achieved within the defined timeframe; and monitor the expenditures against activities and outcomes.

(c) The Recipient shall maintain through the period of Project implementation a Project Executive Committee (PEC), chaired by the Joint Secretary and National Project Director (NPD) of the MNRE, a National Project Manager and a National Project Coordinator as the Member Secretary to: provide regular guidance, conduct periodic review of implementation activities, oversee management of projects funds, vet the operational procedure of the project, and recommend remedial measures to the issues arising during implementation. The PEC shall be responsible for all decisions with respect to opportunities presented by applicant organization/individual.

(d) A Memorandum of Understanding shall be executed between MNRE and Indian Renewable Energy Development Agency (IREDA) for the fund handling activities. The fund handling activity fee payable to IREDA will be paid from GOI/MNRE funds only. IREDA shall maintain all the transactions in its company accounting records.

2.04. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor's support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, enable the representatives of the Donor to visit any part of the Recipient's territory for purposes related to the Project.

2.05. **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 the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty five (45) after the end of the period covered by such report.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

(i) At least five successful business and delivery models for RET projects have secured financing and initiated implementation, are providing sustainable energy services and increased income opportunities.

(ii) Knowledge sharing and information dissemination of lessons learnt from the project implementation to policy makers, Non-Governmental Organizations (NGOs), private sector, donors and communities.
(c) 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.

2.06. 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 (45) 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 audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. Procurement

(a) General. All goods and 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:

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of National Competitive Bidding subject to the following additional procedures:

(a) The model bidding documents for NCB agreed with the Government of India Task Force (and as amended from time to time), shall only be used for bidding.
(b) Invitations to bid shall be advertised in at least one widely circulated national daily newspaper, at least 30 days prior to the deadline for submission of bids.

(c) No special preference will be accorded to any bidder when competing with foreign bidders, state-owned enterprises, small scale enterprises or enterprises from any given State, etc.

(d) Except with prior concurrence of the Bank, there shall be no negotiations of price with the bidders, even with the lowest evaluated bidder.

(e) Extension of bid validity shall not be allowed without the prior concurrence of the Bank (i) for the first request for extension if it is longer than four weeks; and (ii) for all subsequent requests for extension irrespective of the period.

(f) Re-bidding shall not be carried out without the prior concurrence of the Bank. The system of rejecting bids outside a pre-determined margin or ‘bracket’ of prices shall not be used.

(g) Rate contracts entered into by DGS&D will not be acceptable as a substitute for NCB procedures. Such contracts will be acceptable for any procurement under National Shopping Procedures.

(h) Two or three envelop system will not be used.

(ii) The following methods, other than National Competitive Bidding may be used for procurement of goods for those contracts specified in the Procurement Plan: (A) Shopping; (B) Director Contracting; (C) Force Account; and (D) Community Participation Procedures which have been found acceptable to the World Bank.

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection; (F) Selection of Service Delivery Contractors which have been found acceptable to the World Bank; (G) Selection of Individual Consultants; and (H) Sole Source Procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**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
"World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions, to finance Eligible Expenditures as set forth in the 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) Goods and Consultant Services</td>
<td>900,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Training and Workshops</td>
<td>100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Incremental Operating Costs</td>
<td>100,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,100,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section, the term: (i) "Training and Workshops" means reasonable expenditures incurred by the Recipient for the carrying out of training and workshop activities related to the project, including expenditures for facilities rental, materials printing and photocopying, supplies, course fees, and travel and subsistence of participants; and (ii) "Incremental Operating Costs" means reasonable expenditures directly related to the Project, incurred by the Recipient (which expenditures would not have been incurred absent the Project), namely expenditures for travel and transportation for monitoring and supervision purposes, operation of equipment, bank charges, and consumables etc. but excluding the salaries of officials or staff of the Recipient.

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 countersignature of this Agreement by the Recipient.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2012.

Article V
Effectiveness; Termination

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished that the condition specified below has been satisfied.

A Memorandum of Understanding referred to in paragraph 2.3(d) of the Annex to the Grant Agreement has been executed between MNRE and IREDA with regard to fund handling activities.
Article IV
Recipient’s Representative; Addresses

5.01 Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Recipient.

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

Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance
New Delhi

Cable: ECOFAIRS
Telex: 953-31-66175
Facsimile: 91-11-3092477
New Delhi
FINE IN

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/ International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.
APPENDIX
Modifications to the Anti-Corruption Guidelines

Section I. The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“...(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of Loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”
“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”