ADMINISTRATION AGREEMENT

between

THE NORDIC DEVELOPMENT FUND

and

THE INTER-AMERICAN DEVELOPMENT BANK

regarding

the "Green Finance for MSMEs and Low-Income Households: The EcoMicro Program"

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-M1205 (also identified as RG-X1131) titled, Green Finance for MSMEs and Low-Income Households: The EcoMicro Program" (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 EUR 1,500,000 (one million 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 its own affairs 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) at least semi-annually non-audited activity or financial reports of the Project, as such reports are provided by the Project's executing agency to the Bank, pursuant to the technical assistance or financing agreement entered between the executing agency and the Bank 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. The Bank may provide a copy of any audited reports of the Project available to the Bank; 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 in 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: Marguerite S. Berger
Chief, Grants and Co-financing Management Unit
Vice Presidency for Countries (VPC/GCM)
Tel.: ++ 202-623-1774
Fax: ++ 202-623-3171
E-mail: vpc-gcm@iadb.org

b) For NDF:

Nordic Development Fund
P.O Box 185, Fabianinkatu 34FIN - 00171 Helsinki
FINLAND
Attention: Helge Semb
Managing Director
Tel.: +358 618 002
Fax: + 358 9 622 1491
E-mail: 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. An estimated execution timetable is stated 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 for the Project provided by NDF. 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.

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 representative, have signed this Administration Agreement in two (2) original counterparts in the English language as of the dates indicated below.

NORDIC DEVELOPMENT FUND

Satu Santala
Chairman of the Board of Directors

Date: 20.12.2011

NORDIC DEVELOPMENT FUND

Helge Semb
Managing Director

Date: 20 Dec. 2011

INTER-AMERICAN DEVELOPMENT BANK

Bernardo Guillamon
Advisor
Office of Outreach and Partnerships

Date: DEC 21, 2011

PÚBLICO

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

REGIONAL

Green Finance for MSMEs and low-income households: The EcoMicro Program

(RG-M1205)

DONORS MEMORANDUM

This document was prepared by the Project Team consisting of: Gregory Watson, Technical Team Leader (MIF/ABS), Avril Benchimol, Co-Team Leader (MIF/ABS), Dieter Wittkowski (MIF/ATF), Jennifer Baldwin (MIF/ABS), Zachary Levey (MIF/ABS), Isabel Auge, (MIF/ABS) Supervision Team Leader, Ruben Doboin (MIF/DEU), Sonia Puente (MIF/KSC), Korinna von Teichman (INE/ECC), Anne Marie Lauschus (LEG/NSG).

ANNEXES

DETAILED PROGRAM BUDGET INFORMATION AVAILABLE IN THE TECHNICAL FILES

ABBREVIATIONS

Whenever reference is made in the document to any of the terms mentioned below, the same will be understood to mean the following:

Term	Meaning
Bank or IDB	Inter-American Development Bank.
COF	Country Office
CC	Climate change
EA	Executing agency
EE	Energy efficiency
ECC	Sustainable Energy and Climate Change Unit
GHG	Greenhouse gas
KSC	Knowledge and Strategic Communications
IPCC	Intergovernmental Panel on Climate Change
LAC	Latin America and the Caribbean
LCC	Learning, Communicating and Catalyzing
MIF	Multilateral Investment Fund
MFI	Microfinance institutions
MSME	Micro, small and medium-sized enterprises
NDF	Nordic Development Fund
PC	Program Coordinator
PEU	Project Execution Unit
PSR	Project Status Report
RE	Renewable energy
SCF	Structured and Corporate Finance
TOR	Terms of reference
TCA	Technical cooperation agreement
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization
USD	United States dollar

GREEN FINANCE FOR MSMEs AND LOW-INCOME HOUSEHOLDS, THE ECOMICRO PROGRAM (RG-M1205)

EXECUTIVE SUMMARY

Beneficiary Countries:	Regional
Executing Agency:	The MIF will be the executing agency for the Program. Selected microfinance institutions (MFIs)[1] will be the executing agencies for Projects within the Program. MIF will hire a Program Coordinator who will be responsible for the timely and effective implementation of the Program activities.
Target Beneficiaries:	The Program beneficiaries will be: (i) microfinance institutions (MFIs); and (ii) MFI clients: micro, small and medium Enterprises (MSMEs), and low-income households.

Financing:

Modality:	**Non-reimbursable**		
MIF:	**US$**	**3,621,000**	**(50%)**
Cofinancing from:			
Nordic Development Fund:[2]	**US$**	**2, 098,000**	**(29%)**
Local counterpart:[3]	**US$**	**1,560,000**	**(21%)**
TOTAL:	**US$**	**7,279,000**	

Objectives

The goal of this Program is to facilitate the use of green finance instruments by MSMEs and low-income people in order to either (i) increase access to clean and efficient energy products and services, or (ii) assist in adaptation to climate change.

The purpose of the Program is to train MFIs to provide new green finance instruments allowing them to capitalize on new opportunities in clean energy financing, while adjust their risk management models to climate change risk, and incorporate climate impact into their internal policies and operations.

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[1] For the purpose of this document, MFIs include financial organizations offering financial services to low-income people and MSMEs that do not have access to traditional bank services. MFIs will include: NGOs, cooperatives, credit unions, non-regulated and regulated financial institutions, and banks that have a commitment to downscaling.

[2] The Nordic Development Fund (NDF) expects to commit 1,500,000 EUR to the Program, which is equivalent to $2.15 million USD based on the August 26 exchange rate. Final resources in USD will be dependent on the exchange rate on the date of the funds disbursement under the Project Specific Grant procedures that apply to NDF. If a significant adverse movement in exchange rates reduces the commitment of the NDF, the Program activities will be decreased appropriately.

[3] Over time, participating MFIs will be expected to provide 30% of the resources for the implementation of their individual Projects (Component 2).

Execution Timetable	49 months for Program execution and 56 months for disbursement.
Special Contractual Conditions	None.
Exceptions to Bank Policies:	None.
Environmental and Social Review	Adverse environmental or social impacts are not expected. Improving MFI climate risk management and developing green finance products will help MFIs and their clients reduce the use of unhealthy, inefficient and polluting forms of energy. The Committee on Environment and Social Impact (CESI) reviewed the Project abstract on July 15, 2011, and assigned it classification C.

II. BACKGROUND AND JUSTIFICATION

CLIMATE CHANGE AND MICROFINANCE IN LATIN AMERICA AND THE CARIBBEAN

2.1 **Climate change will disproportionately affect low income populations.** The Intergovernmental Panel on Climate Change (IPCC) estimates that global warming will bring significant changes to the Latin America and the Caribbean (LAC) region, affecting crop yields, access to water, energy production and irrigation, among others. These climate effects threaten to undermine long-term development efforts, and will likely affect the most vulnerable groups, such as low-income populations, disproportionately.[4] The lack of foreseeable governmental agreement for the post-Kyoto era after 2012 will require the leadership of the private sector in designing and financing both climate change mitigation and adaptation measures. However, there is little guidance on how to bring this to fruition. In this context, supporting private sector initiatives for clean energy, energy efficiency and adaptation that benefit the most vulnerable groups in LAC is a priority for the MIF and the Bank.

2.2 **Low-income population and climate change.** Low income populations both contribute to climate change and are the most vulnerable to its effects. Over 31 million people in LAC do not have access to electricity and at least 85 million are using forms of energy considered unhealthy, inefficient and polluting. These forms of energy negatively impact the health of those that use them, especially women and children, as they spend more time at home. They also contribute to climate change.[5] The same low-income populations often work in productive activities that are more easily disrupted by climate change, such as farming and fishing, or other micro, small, or medium-sized enterprises (MSMEs). It is thus of special importance that they adopt adaptation measures to reduce their vulnerability as they often times lack the access to alternative livelihood strategies.

2.3 Investments in clean energy and energy efficient technologies not only serve a multitude of environmental, health and development goals, but they can help MSMEs to reduce their vulnerability to climate change. MSMEs can expand production capacity with energy efficient processes that can increase revenues. Additionally they can invest in clean energies that help reduce business disruptions caused by the effects of climate change. Low-income households can save time in fuel collection, needed for traditional forms of energy, which can open the door for participating in other income generating activities that reduce vulnerability. Despite the many benefits of increasing the market for clean technologies, there is currently a lack of knowledge on the part of MSMEs about available technologies and very few mechanisms in existence to finance their purchase. When served at all by the financial sector, these MSMEs and low income people tend to be served by microfinance institutions (MFIs), but green finance products are uncommon.

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4 This paragraph is an edited version of paragraph 1.1 in IDB's "Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy," March 18, 2011

5 Source: Energy Poverty 2010, a report by the International Energy Agency, UNDP and UNIDO.

2.4 **MFI contribution to climate change mitigation and adaptation.** MFIs contribute directly to climate change by generating carbon dioxide (CO2) emissions through energy used in their facilities and operations. Inefficiencies in energy consumption also lead to higher overhead costs. The integration of energy efficiency policies which would reduce the overall energy consumption can improve MFI profitability and will serve wider climate change goals by reducing CO2 emissions. Additionally, MFIs have the potential to help most vulnerable populations to adapt to climate change by providing financial products that can reduce their vulnerability or enable them to take advantage of the benefits of the climate change. Savings, microinsurance and other green finance products can help MFI clients to respond to adverse climate impacts by reducing their possibility of default, which in turn, favour the continuity of the MFI business.

2.5 **MFI Climate Change vulnerability.** MFIs are the primary financial providers of MSMEs and low-income populations in LAC. Institutions that provide microfinance products and services (including both regulated and unregulated institutions) serve more than 10.5 million individuals in the LAC region. MFIs are vulnerable to the impact of climate change because their low income clients (both MSMEs and households) are more likely to be negatively impacted by climate change than larger businesses. Predicted increases in climatic disruptions such as droughts, storms, and floods could interrupt supply chains and reduce client profitability, thus reducing client loan repayment capacity. MFI financial sustainability could even be jeopardized if a sufficiently large number of clients are unable to repay their loans. Though they understand that climate change will impact their borrowers and their own business, until recently MFIs have perceived climate risk management to be too costly and specialized.[6]

2.6 **For the purposes of this document only, green finance is defined as:** financial products aimed at giving access to clean energy and energy efficient technologies[7] and for the development of adaptation measures for MSMEs and low-income households. Green finance instruments include, but may not be limited to, the following:

1. Individual green credit: loans to individuals for the purchase of energy efficient or clean energy products/services.
2. MSME demand credit: loans targeted to finance MSME *demand* for energy efficient or clean energy products/equipment/services.
3. MSME supply credit: loans targeted to finance MSMEs that *supply* clean energy and energy efficiency products/services.
4. Adaptation finance: loans targeted to both MSMEs and individuals for the implementation of adaptation measures.
5. Microinsurance: microinsurance products for adaptation measures for both MSMEs and individuals.
6. Group lending/village banking: loans to communities for investments in clean energy/energy efficiency technologies and adaptation measures.

[6] Climate Change and Microfinance by Asif Dowla (2009). A Grameen Foundation and Oxfam America paper.

[7] Some examples of energy efficient technologies include: solar systems, thermal systems or energy efficiency technologies (i.e. condensers or refrigerators consuming less energy).

2.7 **Evidence of demand from MFIs for climate change related assistance**. Past MFI green finance programs in the region have faced two main problems: (i) lack of financial sustainability after donor subsidies are removed, and (ii) lack of knowledge about how to incorporate the larger upfront capital costs and longer maturities typical of clean technologies into their portfolios.[8] During a round table discussion at the XIII Inter-American Forum on Microenterprise (a.k.a. FOROMIC) held in Uruguay in October 2010, MFIs demonstrated their renewed interest in offering finance for clean energy and energy efficiency technologies and to incorporate climate risk into their portfolios. Such renewed interest is derived from (i) regulatory changes in the region that favour renewable energies and energy efficiency, (ii) the need to adapt their business model to ensure business continuity of their clients despite already experienced climate change risk and (iii) to tap a potential new market.[9]

2.8 **Evidence of MSME demand for green finance.** In the LAC region, there is increasing concern about global warming. A recent survey published by Nielsen shows that 90% of Latin American consumers are concerned about global warming. This has already translated into private sector policies of efficient use of resources [10.] MIF's experience in Nicaragua with projects with ECAMI and TECNOSOL also demonstrate that MSMEs have the capacity to address demand at the base of the economic pyramid for clean energy technology when they have access to appropriate sources of finance. In past MIF energy efficiency projects,[11] MSMEs have also demonstrated interest in reducing the variable cost component associated with fluctuating energy costs by investing in energy efficient processes and machinery. One of the key obstacles to continued expansion and growth of the market for clean energy and energy efficiency equipment is the lack of appropriate financing mechanisms, which this project will address. In addition, MSMEs in the coffee industry have already expressed interest in adaptation measures as climate change is already negatively affecting their businesses[12].

2.9 **Low-income household demand for green finance**. There is significant untapped consumer demand for clean energy and energy efficiency in LAC that this project seeks to bolster. Access to clean energy and energy efficiency equipment facilitates economic development for low-income households. It both provides more efficient and healthier

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[8] In Bolivia: the UNDP Global Environment Facility provided subsidies to reduce the cost of solar panels In Nicaragua, a World Bank/UNDP sponsored program provided funds to MFIs to lend on solar systems. Once programs ended, most MFIs did not maintain green lines of credit. Source: Using Microfinance to expand access to energy services (2007) Seep Network-USAID-Citi Foundation report

[9] Latin American MFIs are currently facing mature markets and saturation in certain urban areas and most of the market potential is in markets where demand for green finance is expected to be high (dispersed rural areas, low income households without diversified sources of income). MFIs could use green finance as a means to expand their client base.

[10] Financial Times August, 29 2011: "Global warming fears rise in the developing world".

[11] For example, CH-M1009, Promotion of Clean Energy Market Opportunities.

[12] The needs for adaptation were made explicit in two events: (i) CSR Americas event (May 2011): "Mitigating Climate Change Risks" presented by Colombian CENICAFE (Centro Nacional de Investigaciones de Cafe) and (ii) Pre Foromic event in Costa Rica (July 2011) where the Costa Rican coffee cooperative Coopedota presented how changes in climate are affecting their business.

means to undertake basic household tasks, while creating opportunities for new productive activities. Once energy access is achieved, households tend to diversify their productive activities and are more likely to gain income from several sources, thus reducing their economic vulnerability, especially in the face of climate change.

2.10 **Experiences in other regions of the developing world show that green finance through MFIs can be financially viable and sustainable.** In countries such as India, Kenya, Bangladesh, and Sri Lanka, the challenges of providing clean energy alternatives to low-income populations have been similar to those of the LAC region. Nevertheless, these regions were successful in developing sustainable green finance products. Essential factors of success were: (i) management's long term commitment; (ii) loan payments that offset higher upfront cost of clean energy devices with energy savings throughout the life of the loan; (iii) partnerships with the energy sector, and (iv) leverage on MFI associations to achieve scale and reduce unit costs of clean energy devices.[13] The Ecomicro Program will leverage on these lessons learned.

RATIONALE FOR THE PROPOSED PROGRAM

2.11 **Problem Statement.** Despite demonstrated need and demand, many MSMEs and low-income households are not able to access clean energy, energy efficiency technologies, and adaptation products in LAC countries. A primary cause of this is that financial providers for MSMEs and low-income people, particularly MFIs, do not have the appropriate tools and know-how to develop and offer sustainable green financial products.

2.12 **Purpose of the Program.** The purpose of the Program is to implement a comprehensive strategy whereby MFIs will receive training from consulting firms: (i) to provide sustainable green finance instruments in order to capitalize on new opportunities in clean energy financing, (ii) to adjust their risk management models to climate change risk, and to (iii) adopt clean energy and energy efficiency standards to decrease their own contribution to climate change and simultaneously reduce energy costs.

2.13 **Opportunity.** There are multiple reasons why this Program is well-timed. As stated in the background, there is increasing interest in clean technology in the region, which is trickling down to small private sector actors. Additionally, many LAC countries are establishing favorable policies towards clean energy installations and CO2 emission reductions. Many lessons have been gathered from MIF past projects lending for clean technology, which this

[13] In Kenya, the key to financial viability was the support of an association of credit and savings cooperatives (SACCO) that could ensure sufficient scale for solar panel demand and that could organize technical support and education for MFI staff. In Sri Lanka, Sarvidaya Economic Enterprises Development Service (SEEDS) saw success through a strategic partnership with an energy company that shared similar mission of reducing energy poverty within Sir Lankan population. In Bangladesh, Grameen Shatki, an NGO linked to the Grameen family, distributed clean energy products as part of Grameen microfinance services. This service success is bound to the institutional strength of Grameen Bank and its market penetration.

program has incorporated into its design.[14] Furthermore, the tremendous need for adaptation measures within the region becomes ever more obvious. In order to close the gap between the international funds for adaptation, which are currently exclusively channeled by national governments, and the demand from local level private actors, other institutions to channel and generate easily accessible local financing are urgently required. To address this gap, this Program will be the first to pilot microfinance products for adaptation to climate change.

2.14 **Why MFIs are the best suited vehicle for the EcoMicro project.** MFIs are extremely well positioned to leverage their networks, clients, and reputation to provide financing for the supply of clean technologies by MSMEs, individual demand, and adaptation products. MFIs have proven to be successful at adopting new financial products that were initially perceived as complex and unprofitable. Remittances, microinsurance and health loans serve as excellent examples, as they required MFIs to create new partnerships and alter their credit methodologies to accommodate the new product lines. MFIs have proven to be flexible and highly efficient in incorporating these new financial products when their success appears viable and they are aligned with their social mission.

2.15 **Adaptation.** The Program will help reduce both MFI and MFI clients' vulnerability to climate change by helping MFIs identify, manage and adapt their portfolio to climate change risks. The program will also assist MFI clients in reducing their vulnerability by accessing adaptation products. Finally, the Program will provide knowledge and input for the development of the new MIF Agenda on Adaptation to Climate Change.

2.16 **Proposed Program.** The MIF proposes a four year Program in which the MIF will be the executing agency. Under the supervision of a Program Coordinator selected by MIF, the Program will select "program-certified" consulting firms that pre-qualify for the Program in a competitive bidding process. Consulting firms will provide technical assistance and training for at least thirteen MFIs to implement a three module strategy that includes: (i) developing MFI green finance products, (ii) assessing MFI portfolio vulnerability to climate change and (iii) developing internal policies to reduce the MFIs' energy consumption. These MFIs will be selected by MIF following an open call for applicants MFIs will select a consulting firm from among the list of eligible firms pre-qualified by MIF. The MIF will extract useful lessons and disseminate the acquired knowledge through case studies, annual workshops and how-to guides.

VALUE ADDED

2.17 **MIF Additionality**. The international climate change movement has called on the private sector to take a leadership role on mitigating, and helping to adapt to climate change, yet few donors and projects have been directly targeted at smaller private sector actors. This has created a void and an opportunity for MIF to take a leadership role in this area. MIF's successful track record in conducting pilot projects with MFIs, MSMEs, and household

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[14] Projects with lessons learned are: Climate change projects with technical assistance and loans: CH-M10009, CO-M1038, ME-M1024, NI-S1012, PE-M1038, PR-M1001, RG-M1124, SP9903010, TC0005006, TC0012002, TC0103001, TC0110053, TC0211020,TC0302006, TC9601180 and UR-M1001. Climate change projects with equity investments in Environmental Funds: RG-M1002, RG-M1188, TC0007010 and TC9601164

clients, as well as its ability to extract lessons and replicate models throughout the region, leave the MIF well-positioned to boost clean technology markets and to pilot adaptation finance. As a key knowledge broker for MSMEs and low-income individuals, MIF will dedicate a significant portion of the Program to strategic communication and dissemination of Program results.

2.18 **Holistic Approach.** Although a few initiatives for green financing with MFIs in LAC have been piloted, these projects have traditionally been narrowly focused, disregarding the problems of a larger system. These initiatives have usually been concentrated on only one of the following areas: training institutions on energy efficiency practices, training management to develop green energy lending, or developing clean energy programs subsidized by government or donors. These initiatives have struggled to achieve desired results due to their compartmentalized treatment of climate change.

2.19 In order to maximize impact, the MIF will implement a holistic Program that encompasses three key areas through a three module strategy described in 2.16. This holistic structure is intended to ensure management buy-in and will "mainstream" climate change into the daily operations of selected MFIs rather than superficially address the problem through partial treatments. It is expected that this Program will yield valuable lessons and likely serve as an example for MFIs internationally on best practices for incorporating climate change into their core operations.

2.20 **The Program contribution to the MIF Agenda.** The Program will contribute to the "Expanding Access to Clean and Efficient Energy" Agenda by increasing the market size for clean energy and energy efficiency technology as well as new financing availability for MSMEs. Additionally, it will contribute to the MIF's efforts in building knowledge to develop a new Agenda on Adaptation to Climate Change that will focus on projects that address the vulnerability to climate change of MSMEs and low income populations.

2.21 **Relationship with other bank initiatives**. The EcoMicro Program will leverage other IDB initiatives to help achieve its goals. For instance, there are valuable lessons learned from the Structured and Corporate Finance (SCF) planetBanking program and IIC's Greenpyme program that have been incorporated in the Program.[15] MIF will also draw upon its partnership with the Sustainable Energy and Climate Change (ECC) Unit, in which the two organizations are supporting a high-level study of microfinance and adaptation.[16] The results of the ECC study will be incorporated into the Program and will complement the identification of market opportunities, capturing success stories in the field, and lessons that can be extrapolated to other countries.

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[15] As evidenced by the IDB beyondBanking project, larger financial institutions in LAC are now developing environmental policies and green financing products to comply with possible forthcoming regulations. Initial conclusions from this program show that management buy-in is necessary for strategic commitment to develop green credit. The GreenPyme initiative demonstrates that green financing is often scarce to fully develop environmental friendly processes and green products within small and medium enterprises.

[16] MIF members are already collaborating with ECC on the project on Microfinance and Adaptation to be released in October 2011.

III. OBJECTIVES AND DESCRIPTION

PROGRAM GOAL AND PURPOSE

3.1 The goal of this Program is to facilitate the use of green finance by MSMEs and low income people to increase access to clean and efficient energy products and services or assist adaptation to climate change. The purpose of the Program is to train MFIs to provide new green finance instruments so that they can capitalize on new opportunities in clean energy financing, while adjusting their risk management models to climate change risk, and adopting clean energy and energy efficiency standards to decrease their own contribution to climate change.

3.2 The expected outcomes of this program include the ability of at least thirteen MFIs to:

(i) offer viable green financial products that can attend to the demand of MSMEs and low-income people.

(ii) identify their portfolio vulnerability to climate change and implement measures to reduce it.

(iii) define and implement internal environmental policies that will result in management's long term commitment to reduce emissions and therefore in measurable energy savings.

DESCRIPTION OF COMPONENTS

<u>Component 1: Promotion, Program Preparation and Awareness-raising.</u>
(MIF $98,000 USD; Nordic Development Fund: $30,000 USD)

3.3 **Objective of the component.** The objective of this component is to set up the Program, select consulting firms that will be pre-qualified as eligible to implement activities in Component 2, and develop marketing materials to promote and raise awareness of the Program. With that purpose, the MIF will select a Program Coordinator in charge of supervising overall Program implementation, coordinating the selection processes (both the pre-screening of consulting firms and MFIs selection), managing promotional efforts and sharing knowledge to maximize outreach.

3.4 **Component Activities.** This component will include the following activities:

(i) The MIF will select a Program Coordinator who will develop the terms of reference (TOR) for the consulting firms.

(ii) The Program Coordinator, in liaison with other relevant MIF climate change team members, will select through a competitive bid process consulting firms to be pre-qualified as eligible to implement activities in Component 2. Selection of consulting firms will be based on the selection criteria disclosed in 3.6.

(iii) The MIF will appoint a Selection Committee that will be in charge of selecting MFIs in Component 2 and ensure correct assignment of each MFI to a consulting firm.[17]

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[17] Please see paragraph 5.6 for more details on the Selection Committee.

(iv) The MIF will then develop a communications and media campaign in collaboration with a marketing and outreach firm to create the branding and marketing materials for the program, to identify what are the communications interventions needed to achieve the goals of the program and what are the required actions i.e community mobilization, use of mass media, interpersonal communication to be successful and to reach potentially interested MFIs through the IDB /MIF websites, the MIF major regional events as the FOROMIC and other channels.
(v) Launch call for MFIs that will be selected under Component 2.
(vi) Lastly, MIF will develop the baseline study that will apply for Components 2 and 3.

3.5 **Outputs.** The outputs to be delivered include: (i) signature of the Program Coordinator contract; (ii) TOR for consulting firms; (iii) Selection Committee appointed; (iv) request for proposals for consulting firms; (v) select consulting firms that are eligible for MFIs to select under Component 2 based on the criteria disclosed in 3.6; (vi) list of audiences to be reached and key messages and knowledge products needed to assure the success of the program, (vii) communications and marketing strategy, with an action and implementation plan, and marketing materials development such as case studies and how-to guide and (viii) develop baseline for components 2 and 3.

3.6 **Selection criteria for consulting firms.** The Program will actively seek to involve consulting firms with extensive experience in clean energy and energy efficiency solutions for MFIs. Expertise must include: (i) knowledge of MFI business either in rural and urban areas or both; (ii) experience in implementing sustainable financial instruments for energy efficiency initiatives (including investment in clean equipment, energy efficient production processes and clean energy consumption products); (iii) capacity to assess loan portfolio vulnerability and ways to address it, and (iv) reputation and trust with MIF.

<u>Component 2: Implementation of individual Projects</u>
(MIF $2,140,000 USD; Nordic Development Fund: $1,500,000 USD, Counterpart MFI: $1,560,0000)

3.7 This component will finance at least thirteen projects to be implemented in different MFIs. Each Project will be implemented through individual technical cooperation assistance (TCA) contract between the Bank and the MFI wherein one of the consulting firms previously selected will provide training and product development support. The MFIs, under the TCA will follow a competitive process to hire one of the consulting firms in the list of eligible consulting firms already screened by MIF under Component 1. These consulting firms will have been previously selected by MIF in a competitive process. MFIs will pay for consulting firms' services with Project and counterpart funds. The program's financial contribution to each Project will depend on the nature and scale of each project but the maximum amount per Project will be $400,000. Each Project will require the local counterpart (MFI) to contribute at least 30% of the total cost.

3.8 **Program Activities.** This component includes the following activities: (i) the Selection Committee will select MFIs based on the selection criteria in 3.10; (ii) the Selection Committee, led by the MIF will ensure that each MFI is assigned a consultant based on the MFI preference and the consultant capabilities (i.e. some of them may have more expertise in certain countries or sectors); ; (iii) the Program Coordinator will develop individual project documents for MIF Manager approval, following the procedures outlined in Section V.

3.9 **Project Activities.** Implementation within each individual Project will require consulting firms to analyze market potential and develop appropriate green finance products for each MFI and market. Other activities will also include the assessment of energy efficiency within the MFI to reduce their carbon footprint and loan portfolio vulnerability. Management buy-in will be materialized in new internal environmental policies.

3.10 **Expected output.** The outputs of this component are: (i) TORs for MFIs; (ii) project documents for each of the individual MFI projects designed and approved, and (iii) at least thirteen technical cooperation assistance contracts signed with MFIs. Within six months after commencement of each individual Project: (iv) market study to determine appropriate local MFI green products; (v) development of credit methodologies and product specifications for new products, (vi) initial study on portfolio vulnerability and recommendations for the adaptation of the internal risk management strategy and loan disbursement procedures, and (vii) elaboration of new internal policies to reduce energy consumption.

3.11 **Selection criteria for the MFIs**. The selection criteria for each institution will allow both regulated and unregulated MFIs to be eligible for the program's activities.[18] It will favour: (i) MFIs with a strong management commitment to environmental initiatives[19]; (ii) MFIs with proven financial sustainability over more than three years; (iii) MFIs with broad outreach to MSMEs and households; (iv) MFIs willing to enter local partnerships; (v) MFIs willing to commit time and resources to data collection that can help measure project effectiveness and (vi) MFI capacity to meet counterpart requirements (i.e. 30% of total implementation costs).[20] Special consideration will be given to MFIs that can demonstrate intent to dedicate lending lines to new products. The MIF COF specialists from the country of origin of each applicant MFI will be involved in the selection process. The Program Coordinator will ensure that MFIs selected are diverse, including smaller scale and rural as well as urban MFIs. It is expected that women will be important target beneficiaries of this Program, and gender sensitivity will be taken into account in the MFI selection process.

3.12 **Activities eligible for financing in individual projects.** By the end of the Program, at least thirteen MFIs should have implemented the three module strategy described below:

(i) **Develop sustainable green finance instruments.** The Program's main goal is to identify opportunities to commercialize green financial products for both households and MSMEs.[21] Consulting firms will first complete a study to identify market

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[18] For the purpose of this document, MFIs include financial organizations offering financial services to low-income people and MSMEs that do not have access to traditional bank services. MFIs will include a wider array of providers including: NGOs, cooperatives, credit unions, non-regulated financial institutions, regulated financial institutions and banks that have a commitment to downscaling.

[19] The level of MFI management interest on environmental issues could be based on management commitment through past environmental initiatives, past portfolio composition (i.e. if they have disbursed loans for environmental harming activities) or willingness to respond to existing demand for green finance.

[20] MFI capacity implies financial strength and availability of human resources for project implementation.

[21] See green finance definition in 2.6.

potential for green products and explore potential partnerships. This study will include existing clean energy or energy efficiency programs, structure of the industry, barriers to entry and potential local partners including energy companies and local initiatives for adaptation. Once the market potential has been identified, consulting firms will identify and develop at least one green finance product. Sustainability will be ensured by considering MFI asset liability management issues (i.e. longer loan repayment periods may affect the management of their Balance sheet) and incorporating energy savings calculations as part of the loan repayment schedule. Trained commercial staff, risk management staff and management buy-in are the essential outputs of this activity. Consulting firms will need to test green finance instrument viability during each Project.

(ii) **Address Loan Portfolio and Client Vulnerability.** Consulting firms will analyze MFI loan portfolios to assess their vulnerability to climate change. By the end of the assessment, they will provide recommendations to reduce exposure to climate risk with specific courses of action. Such recommendations could recommend diversification of MFI client base but also identify and develop new products and instruments aimed at reducing their client's vulnerability. Consulting firms will develop a systematic approach to take climate risk into account at all stages of loan disbursement including loan applications, credit analysis and portfolio monitoring.

(iii) **Reducing MFI's direct environmental footprint.** To reduce MFIs' direct environmental footprint, consulting firms will develop an internal environmental strategy that will optimize energy used in MFI operations. The Program will help reduce MFI consumption of resources and will train staff to maintain resource efficiency policies over time. The Program will require MFIs to measure ex-ante and ex-post energy consumption to prove energy savings. The Program will also design and implement an environmental management policy within each MFI. Staff at all levels will be educated throughout the process to ensure maximum buy-in. Beyond their direct environmental impacts, these actions are expected to increase internal support and understanding of green finance.

3.13 Executing agencies selected to implement individual Projects will go through a risk analysis assessment and a non-objection from the corresponding country. The non-objection will be necessary before approval. In addition, each executing agency will need to pass a full integrity review to ensure it meets Bank requirements as well as other requirements needed for internal approval.

3.14 **Individual Project approvals.** For the individual Projects under Component 2, the MIF and the executing agencies (MFIs) will sign TCA contracts with the Bank based on the parameters included in this document and subject to MIF manager's approval (per the delegation of authority assigned in section 5.3). The MIF will develop an approval memorandum, logframe, budget, and evaluation plan for each project that will be submitted to the MIF manager for approval

3.15 The MIF will ensure that activities of the Program complement and do not duplicate those carried out by other units of the Bank.

Component 3: Knowledge capturing and dissemination
(MIF $445,000 USD; Nordic Development Fund $485,000 USD)

3.16 The objective of this component is to capture, synthesize and disseminate the knowledge generated from the Program, such as lessons, best practices, key factors for success or failure, and results. The dissemination will target specific audiences in order to catalyze effects at the industry level. The knowledge return to be generated throughout the life of the Program is expected to advance learning in this new area of green finance and will test the business case. With that purpose in mind, individual projects will be evaluated and documented, drawing practical lessons from what has worked and what has not. The case studies that result from these conclusions will be compiled and used in other countries as examples for the industry. Additionally, MIF will develop materials that facilitate replication of generated models for other MIF clients through a how-to guide. The Program will support knowledge generation and dissemination of lessons learned with stakeholders at strategic events and through online platforms.

3.17 **Targeted Audiences.** In order to reach and influence selected industry audiences so that they can actively support, replicate or bring to scale tested models – ultimately bolstering the clean energy market for MSMEs and low-income households - this Program will target the following audiences: (i) MFIs as defined in 3.12; (ii) MSMEs and low-income households who can benefit from access to clean energy and energy efficient technologies; (iii) groups of MFIs whose mutual association can enable them to scale up the benefits of the Program; (iv) energy companies that can develop their green products' sales and maintenance services; (v) donor institutions, public or private, interested in supporting the efforts to develop green finance for low-income populations; (vi) other stakeholders such as academia or the press that could support the efforts to develop green finance. Different channels (both MIF/IDB) and leverage of industry´s channels catered to each audience will be used.

3.18 The Program Coordinator and the marketing and communications firm in collaboration with the MIF Knowledge and Communications Unit will coordinate the execution of the communications and knowledge strategy, making sure that the appropriate messages, actions and knowledge products are developed and reach the right audiences. Communication and knowledge strategy will take into account the dissemination opportunities in the events organized in coordination with NDF.[22]

3.19 **Activities and Outputs.** This component will include the following activities. First, consulting firms and selected MFIs will complete case studies, lessons learned and fact sheets after each project is terminated. Second, consulting firms will develop communication channels that the MIF and MFIs will use to enable learning and catalyzing, including: (i) a website that will be active in the first six months after the program commencement and that

[22] The Program will attempt to organize up to two international events in coordination with the Nordic Development Fund to disseminate the lessons learned by this Program and promote knowledge sharing with other regions.

will be updated with case studies and other relevant information on an ongoing basis; (ii) a how-to guide to facilitate extrapolation of the Program lessons learned; (iii) dissemination at events that will take place at least twice a year (including FOROMIC); (iv) annual workshops/reunions of participating MFIs to share lessons learned, and possibly also with international audiences in Africa, Asia and other interested agents; (v) a contact database will be developed by every consulting firm with all the relevant stakeholders and (vi) a wrap up program publication will gather all the relevant experiences and knowledge at the end of the program.

4 IV. COST, FINANCING AND SUSTAINABILITY

4.1 **The total cost of the Program will be US$7,279,000.** The MIF will contribute with 3,621,000 USD (50%) of non-reimbursable resources. The Program will leverage MIF's contribution with another 2,098,000 USD (29%) in co-financing from the Nordic Development Fund and 1,560,000 USD (21%) in local counterpart contribution from MFIs participating in the Program under Component 2.

4.2 **Nordic Development Fund.** The NDF is an international development agency created by five Nordic countries (Denmark, Finland, Iceland, Norway and Sweden) that provides grant financing for climate change interventions in low-income countries. In the region, countries that are eligible for NDF interventions include any Central American country and Bolivia. NDF's operations are financed from the development cooperation budgets of its member Nordic countries. Since 2010, NDF has greatly increased engagement with IDB as its primary channel of delivering development assistance to Latin America and the Caribbean. NDF expects to provide up to EUR 1,500,000 (2,150,000 USD[23]) to this project. NDF resources will be applied as co-financing to MIF's own funding and be received as Project Specific Grant (PSG) contributions. The MIF will be responsible for the implementation and supervision of these resources. The Bank will charge a 5% fee for administrative costs, as previously defined in the Bank's agreement with NDF. If a Project is selected in a non-eligible country under NDF criteria, the MIF will cover the NDF funding for this specific Project. In return, NDF may provide more funding than MIF in the Projects approved in their eligible countries. . The Office of Outreach and Partnerships (ORP) of the Bank will collaborate with the Program in establishing strategic partnerships in order to potentially attract other donors.

4.3 **Local Counterpart contribution.** Selected executing agencies (MFIs) will contribute with $1.56 million (30% of total Component 2 funding), and at least half of it will be in cash. The expected execution period for this Program will be 49 months. Individual Projects are expected to have an execution period of 24 months. The expected disbursement period for the Program will be 55 months, individual Projects are expected to have a disbursement period of 30 months. All individual Projects will have an execution and disbursement period within the Program execution and disbursement period.

[23] Exchange rate of 1.45 USD per EUR as of August 26, 2011. If a significant adverse movement in exchange rates reduces the commitment of the NDF, the Program activities will be decreased appropriately.

Summary cost table.

DESCRIPTION	MIF	Nordic Development Fund	Local Counterpart (MFI)	Total
COMPONENT 1 Promotion, Program Preparation, and Awareness Raising	98,000	30,000	0	128,000
COMPONENT 2 Implementation of Individual projects	2,140,000	1,500,000	1,560,000	5,200,000
COMPONENT 3 Knowledge Capturing and Dissemination	445,000	485,000	0	930,000
Administration	399,600	0	0	399,600
Evaluation	247,000	83,000	0	330,000
SUBTOTAL	**3,329,600**	**2,098,000**	**1,560,000**	**6,987,600**
Contingencies (3%)	100,000	0	0	100,000
Agenda Activities	25,000	0	0	25,000
Impact Evaluation 5% of MIF contribution	166,400	0	0	166,400
TOTAL	**3,621,000**	**2,098,000**	**1,560,000**	**7,279,000**

4.4 **Administration Costs.** The Program Coordinator remuneration will be maintained as an independent unit cost within the Program. The administration costs will cover both salary and travel expenses throughout the Program.

V. EXECUTING AGENCY AND MECHANISM

A. Executing Agency

5.1 The MIF will be the executing agency for the Program while selected MFIs will be the executing agencies for the thirteen Projects selected under Component 2. The Program Coordinator will be responsible for the timely and effective implementation of the Program activities. The COF MIF specialists will collaborate in the selection processes and will supervise individual projects under the Program.

B. Executing Mechanism

5.2 The executing mechanism of project approvals under a broader Program is preferable to separate project approvals. Compiling all the projects under one umbrella will make it easier to share lessons learned during execution, and to attract additional public and private support to expand the Program after its completion. Approval of each Project will be under MIF Management responsibility following Donors' approval of Delegation of Authority.

5.3. **Delegation of Authority to MIF Management for Project Approvals.** As a successful implementation of the Program will require an efficient and accelerated process for MFI selection, and a timely overall execution, we propose MIF management approval mechanism for individual Projects within the Program. First, such mechanism has already been successfully used under the Haiti Earthquake Emergency Approval Procedures and Special Spending allocations (HESARs) in order to allow MIF management to approve expenditures of up US$3 million to cover expenditures necessary to support former and present executing agencies.[24] Since the MIF financed amounts of each individual project are small, and implementation consists of the provision of consulting services to each MFI, approval of individual projects by the MIF Manager is an appropriate executing mechanism to ensure flexible execution in a timely manner. [25] To that end, the team requests approval of Delegation of Authority to the MIF Manager to approve each of the thirteen Projects under the Program. MIF will present an annual report on the Program to Donors every year for information on execution.

C. Execution and Administration of the Program

5.4 **Execution mechanism for selection processes.** The MIF will pre-qualify consulting firms as eligible for MFIs selection in an open bid within three months of the beginning of the Program following the criteria in 3.6. MIF will select MFIs in three different rounds of open calls that will take place in years 1, 2, and 3, following the criteria in 3.10. Once selected, each MFI will select one of the eligible consulting firms previously determined as pre-qualified by the MIF. MFIs will follow Procurement rules in implementing each Project. Execution of each Project will take up to 24 months. The “three round” approach will allow consulting firms to divide workload in three periods.

5.5 Within 40 calendar days of the MFIs call for proposals, the Program Coordinator in collaboration with the MIF COF specialists will select a list of MFIs based on criteria outlined in 3.10. MFIs will be requested in to send applications with initial preferences of the consulting firms. . The Program Coordinator will then send the list to a Selection Committee that will be in charge of selecting the final Projects to be submitted to Management. The Program Coordinator will be in charge of organizing the Selection Committee responses and send the final list of selected candidates to MIF Management for approval. The MIF Manager will have the authority to approve the different Projects under the Program following the Donor’s agreement of Delegation of Authority.

5.6 **Selection Committee.** The Selection Committee will be created in month three and will include: the Program Coordinator, a development effectiveness unit (DEU) representative, MIF headquarters team, the appropriate MIF COF specialist for each Project and other staff of the Bank as appropriate. The Committee will be in charge of selecting the MFIs and will approve the matching process of each consulting firm to a specific Project. The Access to

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[24] MIF GN-142-2 Preparation for MIF actions in Haiti following the Earthquake Emergency Approval Procedures and Special Spending allocations.

[25] Depending on the resources that NDF can commit to each project following their country eligibility described in 5.3, MIF could commit resources in the following range: from 0US$ when all the resources for one project come from NDF or $280,000 for Projects in NDF non eligible countries (MIF will provide the full amount).

Basic Services chief will review the Selection Committee decision prior to selection results announcement.

5.7 **Selection Process.** After initial selection of MFIs by the Program Coordinator in collaboration with the MIF COF specialists, the Program Coordinator will distribute the list of selected candidates to the Selection Committee. The list will include (i) relevant information about each project based on the criteria outlined in 3.10, and (ii) an initial proposal of assigned consulting firms to each MFI. Within 10 working days upon receipt of the list, the Selection Committee will hold an online meeting for discussion of the Projects. After the meeting, the Committee members will send individual responses on MFI selection, consisting of a ranking of their preferences, to the Program Coordinator. The Program Coordinator will organize the responses and propose the final candidates to be approved by MIF Management. In case of split consensus on candidates, the Program Coordinator in liaison with the MIF HQs staff shall have the right to select the Project to be awarded. The criteria used to define a favorable project will be dictated by the necessity of having diversified and representative MFIs as determined in 3.10.

5.8 **Selection Criteria for Projects and MFI selection of consulting firms**. Projects will be assessed, ranked and selected by the Selection Committee using the criteria outlined in 3.10. Once selected, each MFI will select one of the eligible consulting firms previously determined as pre-qualified by the MIF, based on the following principles: (i) no conflict of interest, (ii) the consulting firm's area of expertise (i.e. rural vs. urban), and (iii) MFI general preference. To the extent possible, the MIF will attempt to make sure that MFIs preferences are met.

5.9 Once the MFIs have been selected approved and awarded, a technical cooperation agreement (TCA) will be signed between the MIF and the awarded MFI. This agreement is a condition for the institution to participate in the Program. The TCA will include among other items the following: (i) the obligation of the institution to contribute with counterpart resources for the project; (ii) agreement to follow Bank procurement policies (iii) the establishment of adequate resources within each institution to compiling data necessary for project evaluation; (iv) the obligation of elaborating a semi-annual report to submit to MIF in order to ensure the correct execution of the projects, and (v) the obligation of executing a final evaluation with ex-ante vs. ex-post results.

5.10 **Disbursement by Results.** Funds in Component 1 and component 3 will be managed by the MIF and disbursed as needed. For component 2, Project disbursements will be contingent upon (i) the achievement of milestones within each individual Project, which will be agreed upon by the MFIs and the MIF along with their means of verification and (ii) MFIs submission of semi-annual reports to MIF. The semi annual report will include details of: (i) the utilization of the consulting firms' products and services; (ii) the development of methodologies to compile data needed for effectiveness reports; (iii) the achievement of milestones and (iv) that the risks identified in 7.5 are avoided. Achievement of milestones does not exempt the MFIs from the responsibility of achieving their projects' objectives.

5.11 Under the modality of Performance and Risk-based project Management, disbursements will be made through an advance of funds required, subject to the conditions precedent to first disbursement. Subsequent disbursements will be made upon verification that defined milestones have been reached, as agreed to in the annual operating plan, which the PEU is required to develop at the beginning of the operation.

5.12 **Procurement.** For the procurement of goods and the selection and contracting of consulting services, the MIF will apply the Bank's policies and procedures for the private sector (GN-2349-9 and GN-2350-9) respectively and any MIF-issued guidelines in effect, consistent with IDB policies. Individual MFIs will also follow Bank procurement policies. Before engaging in procurement and contracting for each Project, each executing agency will submit a Procurement Plan, detailing the items, selection modalities and amounts of the goods and services to be procured.

VI. MONITORING, EVALUATION, AND KNOWLEDGE RETURN

6.1 **Monitoring:** The Program Coordinator will be in charge of monitoring the execution of the Program. MIF supervision team leaders will be responsible for monitoring the progress and performance of individual projects under the Program.

6.2 The Executing Agency implementing individual projects (the MFIs) will be responsible for submitting project status reports (PSRs) to the MIF within 30 days after the end of each six-month period. The PSRs contain information on project execution, achievement of milestones, and completion of project objectives as stated in the logical framework and other operational planning instruments. The PSR will also describe project issues encountered during execution and outline potential solutions. Within 90 days after the end of the execution period, the MFIs will submit a Final PSR, which will highlight outcomes, project sustainability and lessons learned. While the MIF supervision team leaders will be managing the PSRs, the Program Coordinator will consolidate the information from all PSRs in order to report on performance and results of the overall Program.

6.3 **Evaluations**. At the Program level, the Program budget resources will be used to conduct a midterm and a final evaluation of the Program as a whole. These evaluations will be carried out by a consultant hired by the MIF. These evaluations will assess the performance and results of the Program and will include a meta-evaluation fed by PSRs, mid-term evaluations, and final evaluations of individual projects. Both the mid-term and final Program evaluations will assess several dimensions, including (i) the effectiveness of the Program or the progress made in achieving the Program's objectives; (ii) the efficiency of the Program and its overall performance during implementation; (iii) the ability of the Program to channel resources from other donors for initiatives that fit the MIF's mandate; (iv) the aggregate results of each project under the Program; and (v) the effectiveness of the Program's activities beyond the individual projects. These evaluations will take into account the evaluation questions raised by the MIF Agenda on expanding access to clean and efficient energy.

6.4 At the project level, the COFs will be responsible for the supervision of individual projects. Individual project evaluations will review the performance and results of the projects based on indicators established in the logical framework and baseline of each project. The

Executing Agency (the MFI) will perform, with its own resources, an ex-post evaluation two years after project completion.

6.5 **Financial Supervision.** The Executing Agency (MFI) implementing an individual project will be responsible for keeping adequate financial accounts, internal controls mechanisms**,** and filing systems for the project that are consistent with IDB and MIF rules and policies. The project's financial statements will be audited at the end of the execution process. Supporting documentation for disbursements will be reviewed on an annual basis (ex-post). The application and frequency of ex-post review of procurements and of supporting documentation for disbursements may be changed by MIF based on the findings of the reviews and /or later institutional assessments performed during project execution. The MIF may contract independent auditors to perform both the audit of the financial statements and the ex-post review after closing of the Program. The auditors will review the procurements and supporting documentation for disbursements. The cost of this contract will be covered by the MIF contribution, pursuant Bank procedures.

6.6 **Closing Workshops.** At the Program level, at least three months before the end of the program disbursement, the MIF will hold a closing workshop with the participation of each MFI Executing Agency (EA), the consulting firms, IDB/MIF personnel, sector representatives, and any other staff to be agreed upon by the IDB/MIF, to jointly evaluate project outcomes, identify additional tasks to ensure the sustainability of actions initiated under the project, and identify lessons learned.

6.7 **Knowledge return.** It is expected that the knowledge captured from the various projects to be implemented under this Program, as well as the Program itself, will advance learning in the area of green finance. It is designed to demonstrate that the provision of green financial products and services for clean technology can be profitable and sustainable. It is expected that other non-participating institutions in the region will expand their offerings of green financial services after the Program's completion. This program will also serve as an example for MFIs internationally on best practices for incorporating climate change into core operations.

VII. PROGRAM BENEFITS AND RISKS

A. Program Benefits and Development Impact

7.1 Access to green finance will benefit both MFIs (Executing Agencies) and MFI clients. Successful execution of the Program is expected to produce the following benefits for at least thirteen MFIs:

(i) Profitable green financial products will be developed that can allow MFIs to increase product offerings and tap new markets.

(ii) MFIs will acquire know-how and develop methodologies that will enable them to manage and reduce the vulnerability of their clients and thus of their own portfolio to climate change.

(iii) MFIs will see cost reduction as a result of energy savings initiatives.

7.2 MFI clients, such as MSMEs and low-income people, will gain access to green finance instruments to purchase or lease clean energy and energy efficient technologies as well as adaptation measures and technologies.

(i) New lines of green financing will provide MSMEs access to credit to increase consumption of energy efficient and clean energy products and that will reduce their energy costs.

(ii) Low-income households will have access to finance to purchase clean energy and energy efficient technologies, enabling them to pursue productive activities and potentially diversify sources of income.

(iii) Both, MSMEs and low income households will have access to financial products that reduce their vulnerability to climate change through livelihood and income diversification, access to adaptation technologies and structures as well as financial backups to serve as buffers against climate extremes.

7.3 **The indirect beneficiaries of the Program** include local MSMEs that supply clean technologies or adaptation mechanisms in which MFI clients wish to invest, MSMEs that supply associated extension services like maintenance of clean technology or adaptation infrastructure, other non-participating MFIs in LAC that might adopt the green financing mechanisms developed, MFIs in Africa and Asia that might adapt the green financing mechanisms to their constituents, traditional commercial banks that may be interested in moving into green microfinance, local energy companies willing to enter partnerships with MFIs and community members that might indirectly benefit from community-level adaptation projects.

7.4 **Development impact.** This project is aligned with the Bank's Climate Change Strategy and the recently approved Bank operational policy to promote gender equality in LAC as it seeks to expand access to clean energy for households in rural and urban areas, thus reducing the health and safety burden on women and children.

B. Risks

7.5 **The identified risks for the Program are:**

a) **Limited appetite/capacity of MFIs to offer green finance instruments**. The Program will address the appetite risk by responding to MFIs that have expressed demand to develop clean energy markets and whose interest in environmental issues has been proven in the past. The Program will address the lack of demand by providing knowledge, tools and training to MFI staff to make the green finance business case work. MFIs will then be charged with marketing new green financial products to MSMEs and low-income households.

b) **Changing regulatory environment.** Negative evolution of legal frameworks such as withdrawals of green energy policy incentives could reduce MFI support for green finance. The Program will address this risk by developing financing structures that can be sustainable without government incentives.

c) **Initial liquidity requirements.** The potential initial requirements of liquidity to develop green loans will require MFI funding. In cases where MFIs do not have the liquidity to implement a new green finance product or to invest to achieve internal environmental policies, MIF will work with other IDB units such as SCF/FMK or IIC or help MFIs to seek further donor support during the initial stage.

d) **Green finance instruments could require new credit methodologies that will affect MFIs asset-liability management.** Green finance loans could imply larger loan amounts and longer repayment periods. Several MFIs might find it risky both to increase loan size and repayment periods as their success is based on managing small short-term loans. Consulting firms will address this risk by considering asset liability management of MFI balance sheets and train risk management officers on this matter. New credit mechanisms might include energy savings as part of loan repayment reducing the amount of regular payment installments and collateral by using clean energy devices as the guarantee for the repayment of the loan, therefore reducing risk. Finally, partnerships with energy companies or other players might help reach greater scale and reduce unit costs and therefore loan amounts.

e) **Reducing portfolio vulnerability might result in reduced financial services to vulnerable MFI clients.** If MFIs opt to reduce their exposure to climate change by reducing lending to certain types of clients, for instance, waterfront businesses or farmers in areas prone to increased flooding or droughts, the Program might end up having counterproductive effects by reducing the most vulnerable clients' access to financial resources. The consulting firms will be mandated to use green finance instruments to accommodate these clients as far as possible and to educate them on adjusting their business plans to reduce the risks rather than refusing them finance entirely. [26]

VIII. ENVIRONMENTAL AND SOCIAL ASPECTS

8.1 Adverse environmental or social impacts are not expected. Improving MFI climate risk management and developing green finance products will help MFIs and their clients reduce the use of unhealthy, inefficient and polluting forms of energy. The Committee on Environment and Social Impact (CESI) reviewed the Project abstract on July 15, 2011, and assigned it classification C.

[26] MFI rural clients in agriculture can reduce their vulnerability to climate change with green finance loans (for irrigation systems or solar water pumps) or microinsurance. MFI commercial clients may use green finance loans to develop energy efficient measures that will increase their savings. Savings, in turn can reduce low income clients vulnerability.

Green Finance for MSMEs and low-income households,

The EcoMicro Program

RG-M1205

Logical Framework

OBJECTIVES			
Outcomes	**Indicators**	**Means of Verification**	**Risks**
Goal MSMEs and low-income people use financial products that increase access to clean and efficient energy products and services or assist in adaptation to climate change.	For MSMEs as end-users: ▪ MSMEs receiving at least one green financial product[1]. ▪ Energy cost-savings in USD.[2] ▪ Renewable energy produced.	▪ MFI portfolio review ▪ PSR and final reports: Individual consumer reporting (condition of receiving loan) ▪ PSR and Final Reports: Assumptions (done by consultants) based on type of device sold (metering, sector-level generation assumptions,	MSMES and low income households will have limited appetite/capacity for energy efficient projects or green loans. MSMES and low income households don't understand the benefits on using clean energy & energy efficiency and to

[1] The MIF definition of green finance includes financial products aimed at giving access to clean energy and energy efficient technologies, and for development of adaptation measures for MSMEs and low-income households. Green finance instruments include:

- Loans targeted to individuals for the purchase of energy efficient or clean energy products/services. (Individual credit)
- Loans targeted to finance MSME demand for energy efficient or clean energy products/equipment/services (MSME Demand Credit)
- Loans to finance MSMEs that supply clean energy and energy efficiency products/services (MSME Supply Credit)
- Loans to both MSMEs and individuals for the implementation of adaptation measures (Adaptation Finance)
- Microinsurance products for adaptation measures for both MSMEs and individuals (Microinsurance)
- Loans to communities for investments in clean energy/energy efficiency technologies and adaptation measures (Group lending/village banking)

[2] Cost savings in energy efficiency may be calculated as a function of kHz saved or reduced.

	For MSMEs as Service and product Providers: ▪ MSMEs offering clean or efficient energy and adaptation services. ▪ Incremental profit or loss. ▪ New clients. For lower income people: ▪ Individuals benefitting from clean or efficient energy and adaptation solutions due to MIF interventions.[3] ▪ Energy cost saving in USD. For all beneficiaries: Increase adaptation financing available Climate indicator: GHG emissions reduced	etc) ▪ Climatescope ▪ Self-reporting of end consumers to MFI, as condition of loan disbursement ▪ MIF estimate based on aggregate of above data, including MFI reporting on individual loans ▪ MFI portfolio count ▪ Calculated by each consultant based on mix of MFI interventions ▪ Ex-ante and Ex- post analysis energy costs analysis. ▪ Estimated ex-ante GHG emission and Ex- post GHG analysis.	adapt to climate change.

[3] The MIF will keep disaggregated data for (i) people who have converted to more efficient or renewable energy sources and (ii) people who have new access to energy products and services. Benefits will therefore be defined by new access to energy or measurable reductions in energy use, and reduction of GHGs

Purpose The purpose of the Program is to train MFIs[4] to provide new green finance instruments in order to capitalize on new opportunities in clean energy financing, adjusting their risk management models to climate change risk, and incorporating climate impact into their internal policies and operations.	For MFIs: ▪ At least 13 sustainable green financial products offered (1 per MFI). ▪ 2% of MFI portfolio represented by green lending.[5] ▪ $3.25 million in financing mobilized for development and consumption energy efficiency and clean energy products and services.[6] ▪ At least 13 partnerships defined between MFIs and local tech providers, suppliers, etc. ▪ At least 13 risk management models incorporate climate change risk. ▪ At least 13 loan disbursement methodologies that contemplate climate risk. ▪ At least 13 new	MFI reporting every 6 months/PSR	MFIs lack interest in developing green finance products MFIs identify risks and decide to stop lending to risky clients. MFIs lack liquidity to develop green loans Longer repayment for green loans may increase portfolio at risk Changing regulatory environment could positively or negatively affect the project MFIs don't follow through with consultancy recommendations. Reducing portfolio vulnerability to climate change might result in

[4] Financial institutions include organizations providing financial services for the poor, regulated and unregulated, including commercial banks willing to downscale as well as savings banks, cooperatives, NGOs, or credit unions.

[5] The 2% goal is based on experience with Asian MFIs In the study: *Using Microfinance to expand access to energy services: Summary of findings* By Ellen Morris, Jacob Winiecki, Sonali Chowdhary and Kristen Cortiglia, green lending in asian MFIs represent, in the majority of the cases, an average 1% of all MFI portfolio.

[6] The $3 million figure is a result of : 500USD (average green loan size) x 500 loans (estimated number of green loans per MFI) x 13 MFIs= 3,250,000 USD

	supervision and loan management methodologies that include indicators for climate risk. ▪ At least 13 new environmental internal policies.		reduced financial services to vulnerable MFI clients.
COMPONENTS			
Outputs	**Indicators**	**Means of Verification**	**Risks**
Component 1: Promotion, program preparation and awareness raising	▪ By month 1: Select Program Coordinator ▪ By month 3: Consulting firms selected and MIF Selection Committee appointed ▪ By month 4: Dissemination plan ▪ By month 4: launch call for MFI Proposals	Program Coordinator tracking Program Coordinator tracking	Conflict of interest between the consulting firms and the MFIs they advise MFIs don't apply to the program or don't have counterpart resources
Component 2: Implementation of Individual Projects Selection of MFIs to participate in the Program. MFIs will receive funding to	Selection of MFIs: • By month 7: 4 MFIs • By month 13: 8 MFIs • By month 25: 13 MFIs At least 13 completed in-depth consultancies including:	13 approval memorandums signed by MIF Management Mid-term and final reports of consultants contracted submitted to	Appropriate local partners can't be found Mitigation initiatives could be too expensive or

cover consulting costs to implement the three module approach: (i) develop sustainable green financing products; (ii) assess loan portfolio vulnerability; (iii) conduct assessment of energy efficiency within MFI.	• Design of at least 13 sustainable green financial products. • Financing mobilize in USD for consumption EE&CE products and adaptation products and services • Portfolio vulnerability assessment and risk mitigation recommendations. • New methodologies for loan disbursement and monitoring. • 13 new environmental internal policies developed and implemented internally. • Internal energy savings in USD. [7]	MIF 13 annual reports for Donors'review	seriously harm MFI financial viability New green lending is not financially viable
Component 3: Knowledge Capturing and dissemination of resources	• 1 how-to guide. • 13 case Studies. • Dissemination at 6 platforms[8]. • Research studies • Three annual knowledge sharing meetings. • Two International knowledge sharing events	• Guide and toolkit published at MIF website • 13 Case studies published • Research studies based on the different Project findings • Powerpoints/websites from events • Aide memoire of annual meetings, annual meeting	Knowledge is only shared between the MFIs and consulting firms, and not collected holistically for the project Lessons learned are not applicable to different institutions

[7] Cost savings in energy efficiency may be calculated as a function of KWHs saved or reduced.
[8] Websites, events, press events, etc.

		agendas and participants lists	Lessons learned are not applicable in other geographical regions
Activities	**Indicators**	**Means of Verification**	**Risks**
Component 1: Promotion, program preparation and awareness raising 1) Select Program Coordinator 2) Develop Terms of Reference for consulting firms 3) Request for consulting proposals issued 4) MIF Selection Committee appointed 5) Selection of consulting firms 6) Develop Program marketing materials and dissemination	By month 1: • Coordinator hired and working at MIF By month 2: • TOR for consultancy developed • RFP for consultancy issued By month 3: • consulting firms selected • MIF selection committee appointed • MFI selection criteria developed • marketing materials developed By month 4: • Launch call for MFIs • Baseline and methodologies developed By month 5:	Program Coordinator signed contract TOR and RFP published on E-sourcing TOR and RFP published on E-sourcing Mid-term and final reports Marketing materials printed Selection criteria on file at MIF Notifications sent to 4 selected MFIs and on file at MIF Base line study on file at MIF	

plan 7) Develop MFIs' selection criteria 8) Call for MFI applications 9) Develop a base line 10) Develop methodology for calculating GHG emissions reductions and other project impact indicators	• at least 10 MFI applications received.	Methodology document on file at MIF MIF applications	
Component 2: Implementation 1) Selection of MFIs 2) Match each selected MFI to a consultant 3) Develop individual project documents 4) Market study for	Selection of MFIs: • By month 7: 4 MFIs • By month 13: 8 MFIs • By month 25: 13 MFIs Match 13 MFIs with corresponding consultants By month 6 month after commencement of each project: consulting activities in each MFI, activities 3 through 7 completed.	Coordinator will email/call MFIs to ensure contact has been made Project documents for each MFI approved by Management and on file 13 approval memorandums signed Market studies published, Signed MOUs between MFIs and local partners	

each MFI to identify market potential for green products and identify partnerships 5) Conduct assessment of energy efficiency within MFI 6) Assess loan portfolio vulnerability and develop environmental management policy 7) Train MFI management and staff 8) Develop and test at least 1 sustainable green financing products	By month 12 after commencement of each project: • Activity 8 completed • Annual report sent to Donors Committee	EE audits/recommendations presented to MFI management Loan portfolio vulnerability assessment presented to MFI management Green product marketing materials/ credit models shared with MIF Minutes of trainings on file at MIF Annual reports on Projects for Donors review	
Component 3: Knowledge Capturing and dissemination of resources 1) Creation of case studies 2) Creation of website	By the end of each consultancy, each case study will be developed By month 3: website created and	Case studies published Website published	

	updated on ongoing basis		
3) Dissemination through events (including Foromic)	Dissemination in at least 1 event per year	Event participation logs	
4) Begin collecting lessons learned	By month 42: 1 plan in place to collect lessons learned	LL Plan on file at MIF	
5) Annual workshops	Four workshops in total	Aide Memoire from annual workshops Participant lists for all events	
6) Research Studies	6 research studies to develop Project Findings during the life of the Program	Publication of 6 research studies	
7) How-to guide	By month 42: How-to guide	Publication of how to guide	
8) Closing Workshop	By Month 49: closing workshop	Participant list and minutes from the closing workshop	
9) Two International knowledge sharing events with Nordic Development Fund	One event held with MFIs from Africa and Asia (and Nordic Development Fund) by year 2	Agenda from Africa and Asia events	

RG-M1205
Detailed Budget

	Unit	Unit Cost	Quantity	Total	MIF	Nordic Development Fund	MFI counterpart	Total
COMPONENT 1: Promotion, Program Preparation, and Awareness Raising				**128,000**	**98,000**	**30,000**	**0**	**128,000**
Communication and Dissemination Strategy Design		68,000	1	68,000	68,000			68,000
Promotion of Program	publications	60,000	1	60,000	30,000	30,000		60,000
COMPONENT 2: Implementation of Individual projects				**5,200,000**	**2,140,000**	**1,500,000**	**1,560,000**	**5,200,000**
Individual projects	projects	400,000	13	5,200,000	2,140,000	1,500,000	1,560,000	5,200,000
COMPONENT 3: Knowledge Capturing and Dissemination				**930,000**	**445,000**	**485,000**	**0**	**930,000**
International Knowledge sharing events	events	50,000	2	100,000	0	100,000	0	100,000
Website	site	40,000	1	40,000	20,000	20,000	0	40,000
How-to guide	publications	100,000	1	100,000	50,000	50,000	0	100,000
Case Studies	publications	10,000	12	120,000	60,000	60,000	0	120,000
Research studies	studies	30,000	10	300,000	180,000	120,000	0	300,000
Annual project workshop	events	56,250	4	225,000	112,500	112,500	0	225,000
Closing Workshop	events	45,000	1	45,000	22,500	22,500	0	45,000
Administration				**399,600**	**399,600**	**0**	**0**	**399,600**
Travel for Coordinator to promote program at regional events	trips	3,000	5	15,000	15,000			15,000
Coordinator travel to individual project design	projects	3,000	12	36,000	36,000	0	0	36,000
Coordinator travel to knowledge and supervision events	trips	3,000	9	27,000	27,000	0	0	27,000
Program Coordinator	months	6,700	48	321,600	321,600	0	0	321,600
Evaluation and Audits				**330,000**	**247,000**	**83,000**	**0**	**330,000**
Evaluations (Midterm and Final)	once	150,000	2	300,000	227,000	73,000	0	300,000
Final Audit	once	30,000	1	30,000	20,000	10,000	0	30,000
SUB TOTAL				**6,987,600**	**3,329,600**	**2,098,000**	**1,560,000**	**6,987,600**
Contingencies (3%)	3%		1	100,000	100,000	0	0	100,000
Agenda Activities			1	25,000	25,000	0	0	25,000
Impact Evaluation 5%	5%		1	166,400	166,400	0	0	166,400
GRAND TOTAL				**7,279,000**	**3,621,000**	**2,098,000**	**1,560,000**	**7,279,000**

MIF	**$**	**3,621,000**	**50%**	**of total**
Nordic Development Fund	**$**	**2,098,000**	**29%**	**of counterpart**
MFIs	**$**	**1,560,000**	**21%**	**of counterpart**

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-__/11

Regional. Nonreimbursable Technical Cooperation ATN/ME-____-RG
Green Finance for MSMEs and Low-income Households:
The EcoMicro Program

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-___ with respect to technical cooperation for green finance for MSMEs and low-income households: the EcoMicro Program.

2. That up to the amount of US$3,621,000 or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

4. That the General Manager of the Multilateral Investment Fund may approve operations and activities with the selected Executing Agencies pursuant to the Donors Memorandum identified in the first paragraph of this resolution.

(Adopted on __ _______ 2011)

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