

CARIBBEAN DEVELOPMENT BANK



**CANADIAN SUPPORT TO THE ENERGY SECTOR
IN THE CARIBBEAN FUND**

This Document is being made publicly available in accordance with the Bank's Information Disclosure Policy. The Bank does not accept responsibility for the accuracy or completeness of the Document.

Considered at the Two Hundred and Seventieth Meeting of the Board of Directors held in St. Vincent and the Grenadines on March 9, 2016.

MARCH 2016

Any designation or demarcation of, or reference to, a particular territory or geographic area in this Document is not intended to imply any opinion or judgment on the part of the Bank as to the legal or other status of any territory or area or as to the delimitation of frontiers or boundaries.

CARIBBEAN DEVELOPMENT BANK

TWO HUNDRED AND SEVENTIETH MEETING OF THE BOARD OF DIRECTORS

TO BE HELD IN ST. VINCENT AND THE GRENADINES

MARCH 9, 2016

PAPER BD 45/16

**CANADIAN SUPPORT TO THE ENERGY SECTOR
IN THE CARIBBEAN FUND**

1. BACKGROUND

1.01 Since 2014, the Caribbean Development Bank (CDB) signaled its intention to increase its focus on the promotion of Sustainable Energy (Renewable Energy (RE) and Energy Efficiency (EE)) in its Borrowing Member Countries (BMCs). This followed on the heels of the approval of CDB's Climate Resilience Strategy in 2012, which highlighted initiatives in both adaptation and mitigation to combat the impacts of climate change. The creation of a Renewable Energy and Energy Efficiency Unit (REEEU) in the Office of the Vice-President of Operations created a necessary focal point for the development of policy, strategy and the mainstreaming of these efforts. This was elaborated in a revised Energy Sector Policy and Strategy 2015-2019, which would support the overall goal of transforming the energy sector to significantly increase energy security and sustainability, enabling economic growth.

1.02 Consistent with this approach, the Bank's Strategic Plan 2015-2019, identifies energy security as a cross-cutting theme with the intention of promoting and incorporating RE and EE considerations in its work across all sectors. In addition, CDB will serve as a catalyst for attracting additional concessional resources for this purpose to the Region, and as an intermediary for financial and technical assistance resources for borrowing member countries (BMCs). CDB is also seen as a key partner in the delivery on the regional targets agreed by CARICOM member states in the Caribbean Sustainable Energy Roadmap and Strategy (C-SERMS).

1.03 In this context, and upon learning that the Government of Canada (GOC) was interested in a partnership to contribute to energy sector development, CDB submitted a proposal in July 2015 to the Caribbean Regional Development Programme of Canada's Department of Foreign Affairs, Trade and Development (DFATD), for the establishment of a fund to support the energy sector in the Caribbean. The fund would support capacity and institutional strengthening interventions by CDB in the sector. CDB was informed that this approval came on January 19, 2016.

1.04 The Canadian Support for the Energy Sector in the Caribbean Fund (CSES-C) is not, however, the first facility of its kind in CDB with the support of GOC. On December 12, 1996 the Board of Directors approved the establishment of the Canadian Technical Cooperation Fund (CTCF) which financed consultants (mainly Canadian), for the purpose of supporting CDB in its work throughout the project life cycle, including for economic and social analysis.

2. RATIONALE

2.01 All of the Caribbean countries have indigenous RE resources and opportunities for greater focus on EE. Reductions in the supply price of appropriate mature technologies have made them cost-effective substitutes for fossil-fuel generated electricity, while contributing to the climate resilience objective of lowering greenhouse gas emissions. For all of these countries, a primary objective in developing RE potential, including geothermal energy, is the reduction in price volatility of electricity tariffs for the final consumer, including government itself. Six of the Eastern Caribbean islands have geothermal potential, however, several barriers to its development have prevented the exploitation of this indigenous resource. In particular, given the risk profile for developing this resource, CDB and its development partners have determined that special attention must be paid to the design of appropriate supporting instruments. In addition, without the necessary enabling frameworks and other support mechanisms these small domestic markets are not necessarily financially attractive to credible investors.

2.02 In spite of the availability of affordable sustainable energy solutions, the potential remains largely unexploited due to:

- (a) Inadequate legislative and regulatory frameworks (including institutional and capacity support) to provide the necessary certainty and confidence for private investment and to balance the interests of consumers, investors, and governments;
- (b) Limited borrowing headroom to facilitate public sector investment due to already high debt burdens of most countries;
- (c) Insufficient technical and institutional capacity for planning in the sustainable energy sector, including for assessment of unsolicited proposals and generally for negotiation with the private sector; and
- (d) Lack of appropriately priced and structured financial instruments to support the adoption of sustainable energy technologies.

2.03 In CDB's interactions with BMCs to date in the energy sector, the need for capacity building and institutional strengthening have emerged as key barriers to the transformation of the sector. CDB can provide some of the required advice in the normal course of its work, however, the nature of the support required cannot come from the usual CDB resources, both human and financial. Addressing these deficits would require that CDB have easy access to resources, both human and financial, to provide the level of technical expertise needed. CDB has attracted some grant-funded support for this purpose, primarily for the six independent Eastern Caribbean BMCs, and has been receiving broader technical support from Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, however, more is required and all 19 BMCs would be eligible to benefit from the Canadian support.

2.04 The over-arching goal of the proposed initiative, consistent with the CDB mandate, is to increase energy security in the Region. Associated objectives are to:

- (a) Improve the enabling environment to facilitate development of the energy sector and achievement of sustainable energy targets, including strengthening national plans and policies and the legislative and regulatory frameworks.
- (b) Promote increased reliance on sustainable energy (energy efficiency and renewable energy options) in the Caribbean.

- (c) Increase public and private sector knowledge and expertise for the sustainable development of the energy sector.

3. **PROPOSAL**

3.01 The proposed CSES-C is valued at CAD5 million over four years 2016 to 2019. It is proposed that CSES-C will consist of activities under three components:

- (a) Component 1: Development of legislative and regulatory frameworks and associated institutional capacity, in the Caribbean, in order to strengthen the enabling environment and encourage private sector investment. Under this Component consultants would be retained to provide expert analysis of the existing regulatory and legislative frameworks to support change proposals.
- (b) Component 2: Support to increase deployment of EE and RE technologies in the Caribbean, in order to encourage private sector investment, including in energy services start-ups. This would be supported by diagnostic analyses and other expert assistance to facilitate efficiency in deployment.
- (c) Component 3: Workshops/training/professional attachments, including in Canada, for BMC public sector, private sector actors, and CDB staff to build capacity in the energy sector, together with improved decision-making.

The detailed Results Framework is outlined in Appendix 1 attached.

3.02 Table 1 below presents an indicative budget for the CSES-C, including an in-kind contribution from CDB and an 11% Administrative Fee to cover CDB incremental costs associated with the execution of the Programme.

TABLE 1: Indicative Budget for CSES-C

Budget	CAD millions
Component 1: Legislative/Regulatory TA	1.60
Component 2: RE/EE Investment support	1.90
Component 3: Training/attachments	0.95
Sub-total	4.45
Management/Administrative Fee to CDB	0.55
Incremental CDB Administrative costs (in-kind estimate)	0.50
Total	5.50

3.03 It is proposed that CDB and DFATD enter into an arrangement providing for the establishment and administration of the CSES-C, substantially on the provisions set out in the draft arrangement attached hereto.

4. PROJECT FUNDING

4.01 The CSES-C will be financed with Canadian Government resources, specifically through the DFATD, in the amount of CAD5 million. The support will be implemented over a four-year period as shown in Table 2 below.

TABLE 2: Financing Plan CSES-C
(CAD millions)

Financing Sources	2016	2017	2018	2019	Total
Government of Canada	0.85	0.5	2.0	1.65	5.0
CDB In-kind Contribution	0.2	0.1	0.1	0.1	0.5
Totals	1.05	0.6	2.1	1.75	5.5

5. ADMINISTRATION - CSES-C

5.01 The CSES-C will be executed by the REEEU in the Office of the Vice-President, Operations. In the normal course of the Unit’s work, opportunities for providing the support contemplated have already emerged and needs have been identified. As CDB staff undertake project cycle activities associated with dedicated energy sector projects, as well as in other sectors where there are opportunities for sustainable energy interventions, clear avenues to assist with closing the identified structural deficits will emerge. In addition, through visibility activities, energy sector stakeholders – regional agencies (e.g. CARICOM, OECS); non-governmental entities (e.g. national RE Associations); CDB BMC government ministries, regulatory bodies, utilities (public and private); - will be made aware of the availability of CSES-C support.

5.02 Among the conditions pertaining to the administration of the CSES-C are the following:

- (a) Each eligible assignment will not exceed USD350,000, or such other limit as CDB may determine from time to time;
- (b) CDB will prepare a short profile for each assignment proposed, which will be shared with the identified focal point at the local office of DFATD for a “no-objection” within 5 working days, after which time CDB may proceed with the usual preparation of TA/use-of-funds (UOF) paper for internal approval;
- (c) Approval of eligible assignments will be delegated to the President;
- (d) CDB will administer and account for the resources of the CSES-C in an already existing account in accordance with its usual procedures and practices and will maintain separate records and accounts of such resources. The resources of the CSES-C may be freely exchanged by CDB into such other currencies as may facilitate disbursements;
- (e) CDB will recover an administrative fee of 11% of the resources contributed, paid quarterly in arrears; and

- (f) CDB will provide DFATD with a semi-annual progress report and an Annual Supervision Report, in an agreed format including reporting against the Results Framework Model.

6. PROCUREMENT

6.01 Procurement will be in accordance with CDB's procurement procedures for Use of Funds, however, eligibility will be limited to CDB member countries.

7. VISIBILITY

7.01 As set out in the Arrangement, CDB will ensure that all opportunities for recognition of Canada's contribution to the transformation of the energy sector through the CSES-C would be exploited. The CDB would establish an internet presence, and promote Canada's contribution at high-level conferences and other visibility events at the local, regional and international level.

8. RECOMMENDATION

8.01 It is recommended that the Board of Directors authorises CDB to enter into an arrangement with DFATD providing for the establishment and administration of the CSES-C, substantially on the terms and conditions set out in Appendix 2, hereto.

APPENDIX 1

CSES-C RESULTS FRAMEWORK

Expected Outcomes	Outcome Indicator	Output	Output Indicator	Activities	Assumptions
<p>1. Strengthened legislative and regulatory frameworks for the energy sector.</p> <ul style="list-style-type: none"> • Policy, legal, regulatory and institutional reforms • Capacity strengthening in regulatory bodies 	<p>By end 2019</p> <ul style="list-style-type: none"> - No of Legislative and regulatory reform recommendations adopted at the national level - Improved transparency-changes to laws/procedures /regulations more readily available to facilitate investment. - % of Govt approvals of energy services start-ups increased. 	<ul style="list-style-type: none"> - Reports produced/Advisory Services and Products provided by Canadian experts on existing legislative and regulatory frameworks. - Reports produced on the review of national energy policies and strategies. - Experts provided to support implementation of legislative and regulatory reforms. - Regulators/legislators trained. 	<p>By end 2019</p> <ul style="list-style-type: none"> - Number of TA interventions to assess adequacy of legislation and regulation. - No. of TA interventions to review national energy policies and strategies. - No. of TA interventions to support implementation of reforms - No. of regulators/legislators trained (disaggregated by sex). 	<ul style="list-style-type: none"> - Consultancies for diagnostic analyses of existing legislative and regulatory frameworks, including gap analysis, change process, and sustainability recommendations. - Consultancies to analyse existing energy policies and strategies at national level. - Consultancies to support implementation of legislative/regul reforms, including jointly with local/regional experts. 	<ul style="list-style-type: none"> - Governments are committed to regulatory/legislative reform - Governments identify experts with the necessary skills and experience to drive the change process - Governments accept independent regulatory framework. Demand exists for up-dated national legislation and regulated frameworks to allow entry to sustainable energy providers or technologies.
<p>2. Increased use of energy efficient (EE) and renewable energy (RE) technologies in the energy matrix.</p> <ul style="list-style-type: none"> • RE options including wind, solar, hydro and geothermal, to replace existing fossil fuel supply. • EE upgrades - commercial and industrial - (lighting, A/C, vehicles, fuel efficient public transport). 	<ul style="list-style-type: none"> - Evidence of heightened awareness based on RE applications to local utilities. - GWh of energy saved due to implementation of EE Measures. - MW of RE capacity installed as % of total capacity. - Number of RE/EE projects and sub-projects approved by CDB and its FIs. 	<ul style="list-style-type: none"> - Technical capacity support provided to BMCs and CDB, during sustainable energy project life cycle, to advance roll-out of RE/EE technologies. - Plans/Strategies/Pre-Feasibility/other preparation stage studies to support energy infrastructure completed. - Innovative “SMART” Facilities and Products designed for CDB. 	<ul style="list-style-type: none"> - No. of (gender sensitive) plans/strategies/pre-feasibility/preparation stage studies supported by TA. - No. of SFPs designed and rolled out by CDB. 	<ul style="list-style-type: none"> Consultancies to provide technical support to Caribbean countries and CDB at any stage of the sustainable energy project life-cycle. - Studies to support the design of plans/strategies/pre-feasibility/other preparation stage work to drive RE/EE adaptation. - Design innovative SMART Facilities and Products – Loan and Grant – for CDB, including for suitable ESCO model. 	<ul style="list-style-type: none"> - Governments remain committed to testing and adopting RE/EE technologies - Governments identify experts with the necessary skills and experience to drive the change process - Governments and utilities respond positively to integrating new technologies into their national energy grid.
<p>3. Increased public and private sector capacity/decision-making within the energy sector.</p>	<ul style="list-style-type: none"> - Evidence of increased quality of public sector decision-making, as shown in published documents. - Evidence of efficiencies in private sector operations/interventions as measured by survival rate for energy services start-ups. - No. of national RE Associations formed. 	<ul style="list-style-type: none"> - Public and private sector Caribbean nationals mentored/trained by Canadian experts/institutions/agencies in RE/EE technologies/solutions. - Political directorate exposed/sensitized to methods/approaches for improved decision-making and increased cooperation between Ministries of Energy within the Region. - Trained personnel in energy and regulatory agencies, ministries, utilities, private sector energy service companies, bankers and CDB to promote RE/EE. 	<ul style="list-style-type: none"> - Number of public sector staff participating in attachments/specialized learning (disaggregated by sex of participant) - No. of private sector actors participating in attachments/specialized training (disaggregated by sex of participant). - No. of workshops/training interventions conducted. <p>At least one high-level energy sector seminar held.</p>	<ul style="list-style-type: none"> - Define training requirements for public sector and private sector actors (including CDB) and match to Canadian experts/institutions/agencies for mentoring/training. - Design and conduct high-level energy sector seminar for political directorate to support improved decision-making. - Define regional strategies for cooperation and collaboration in the energy sector. 	<ul style="list-style-type: none"> - Relevant actors identified for training. - Trained personnel continue to influence policy and provide briefings on new knowledge acquired. - Countries maintain commitment to SE regardless of changes in oil prices. - Senior staff available to attend specialized mentoring. <p>Political directorate can be influenced by exposure to best practice and merits of cooperation.</p>

**AN ARRANGEMENT CONCERNING CANADIAN SUPPORT TO THE ENERGY SECTOR IN THE
CARIBBEAN FUND BETWEEN:**

**THE DEPARTMENT OF FOREIGN AFFAIRS, TRADE AND DEVELOPMENT CANADA (hereinafter
referred to as “DFATD”)**

AND

CARIBBEAN DEVELOPMENT BANK (hereinafter referred to as “BANK”)

The Department of Foreign Affairs, Trade and Development Canada and the Caribbean Development Bank (hereinafter jointly referred to as “the Participants”), desire to collaborate on an initiative entitled the “Canadian Support to the Energy Sector in the Caribbean Fund”. The Participants understand the following:

Paragraph 1

The Fund, Resources and Administration of the Fund

- 1.01 The Bank will establish the Canadian Support to the Energy Sector in the Caribbean Fund (hereinafter called “the Fund”).
- 1.02 The Grant will be provided by DFATD to the Bank for the purposes of resourcing the Fund in the amount of five million Canadian dollars (CAD5,000,000).
- 1.03 The provisions of this Arrangement will apply to the Fund and the Bank will administer the Fund in accordance with such provisions.
- 1.04 The Bank will receive a quarterly administrative fee equivalent to eleven percent (11%) of the value of the Fund paid quarterly in arrears.

Paragraph 2

Entire Understanding

- 2.01 This Arrangement constitutes the entire arrangement between DFATD and the Bank with respect to the Fund.

Paragraph 3

Use of Resources

- 3.01 Grant funds will be used exclusively for the following purposes and activities:

Purposes

- (a) to improve the enabling environment to facilitate development of the energy sector and achievement of sustainable energy targets, including strengthening national plans and policies and the legislative and regulatory frameworks;
- (b) to promote increased reliance on sustainable energy (energy efficiency and renewable energy options) in the Caribbean; and
- (c) to increase public and private sector sustainable energy knowledge and expertise for the sustainable development of the energy sector.

Activities

- (a) Component 1: Development of legislative and regulatory frameworks and associated institutional capacity, in the Caribbean, in order to strengthen the enabling environment and encourage private sector investment. Under this Component consultants would be retained to provide expert analysis of the existing regulatory and legislative frameworks to support change proposals.
- (b) Component 2: Support to increase deployment of energy efficiency (EE) and renewable energy (RE) technologies in the Caribbean, in order to encourage private sector investment, including in energy services start-ups. This would be supported by diagnostic analyses and other expert assistance to facilitate efficiency in deployment.
- (c) Component 3: Workshops/training/professional attachments, including in Canada, for the Bank's borrowing member countries' public sector and, private sector actors, and the Bank's staff to build capacity in the energy sector, including for improved decision-making.

3.02 Subject to Paragraph 7.02, the Bank's procurement procedures with respect to use of funds will apply.

Paragraph 4
Payment of the Grant

4.01 Grant funds will be allocated by the Bank over a period of approximately four (4) years to implement the activities of the Fund. DFATD will deposit the Fund's resources into the Bank's account 0178411 maintained with The Bank of Nova Scotia, International Banking Division, 44 King Street, Toronto, Ontario, Canada M5H 1H1, Swift Address: NOSCCATT or other such account as the Bank will notify DFATD in writing in accordance with the following instalment schedule:

- (a) upon submission of a payment request by the Bank after countersignature by DFATD, a payment of eight hundred and fifty thousand Canadian dollars (CAD850,000) for DFATD's fiscal year 2015-16; and
- (b) after the payment of the first instalment provided for in sub-paragraph 4.01(a) of this Paragraph, the subsequent instalments of the Fund's resources will be paid annually according to the following schedule, which may be amended from time to time in writing by mutual agreement of the Participants.

For DFATD's applicable fiscal years:

Financing Plan CSES-C
(CAD millions)

Financing Sources	2017	2018	2019
Government of Canada	0.5	2.0	1.65
CDB In-kind Contribution	0.1	0.1	0.1
Totals	0.6	2.1	1.75

4.02 When making such deposit, DFATD will instruct its bank to include in its payment details information (remittance advice) field of its SWIFT payment message, information indicating: the amount paid, that the payment is made by DFATD for the Canadian Support to the Energy Sector in the Caribbean Fund, and the date of the deposit. In addition, DFATD will provide a copy of its deposit instruction to the Bank's Finance Department by fax sent to (246) 426-7269.

4.03 Immediately upon notification of the receipt of the Fund's resources, the Bank will convert such funds into United States Dollars.

Paragraph 5
Administration of Grant Funds

5.01 The Bank will administer and account for the grant funds in an already-existing account maintained by the Bank.

5.02 Grant funds may be freely exchanged by the Bank into other currencies as may facilitate their disbursement.

5.03 The value of the Grant, made pursuant to this Arrangement, will be determined by applying the Bank's operational rate of exchange for US Dollars in effect on the date(s) of conversion. The Bank's commitments for implementation of the Fund under this Arrangement are contingent upon receipt of the Grant and are limited by the value of the Grant.

Paragraph 6
Consultation, Notice and Communication

6.01 DFATD and the Bank will consult each other in respect of any matter that may arise in relation to this Arrangement.

6.02 Any notice to be given to either Participant with respect to this Arrangement will be in writing and delivered in person or sent by registered mail or facsimile addressed to the Participant at the address given in Paragraph 13.01.

6.03 Any communication other than a notice to be given to either Participant with respect to this Arrangement will be in writing and delivered in person or sent by mail, registered mail, facsimile or e-mail addressed to the Participant at the address given in Paragraph 13.01.

6.04 Any notice and communication to DFATD will be addressed to officers responsible for coordination as identified in Paragraph 13.01.

Paragraph 7
Engagement of Consultants

7.01 Grant funds will be used to engage Eligible Consultants (as defined in Paragraph 7.02) as are necessary to ensure the successful implementation of this Fund. The selection and engaging of Eligible Consultants, and the administration and enforcement of any provision of any agreement entered into between the Bank and such consultants, will be the responsibility of the Bank and will be carried out in accordance with agreed procedures.

7.02 Eligible Consultants will be bodies corporate and individuals from the Bank's member countries.

7.03 Full-time regular or fixed-term employees of the Bank and those meeting this criterion at any time in the 12 months prior to the assignment will not qualify as Eligible Consultants for assignments under this Arrangement.

7.04 Any exceptions to these provisions must be approved in advance by DFATD.

7.05 DFATD will not be responsible for the activities of any person engaged by the Bank as a result of this Arrangement, nor will DFATD have any responsibility for any costs incurred by the Bank in terminating the engagement of any such person.

Paragraph 8

Maximum Amount per Assignment and Eligible Expenses

8.01 Eligible assignments include expert analyses of existing regulatory and legal frameworks that govern the energy sector; diagnostic analyses to improve efficiency in the deployment of sustainable energy; and capacity and institutional strengthening, including training in Canada.

8.02 Maximum amount per assignment is set at the equivalent of three hundred and fifty thousand United States dollars (USD350,000) or such other limit as CDB may determine from time to time. Eligible assignments will be approved by the Bank's President.

8.03 Eligible expenses are limited to fees, travel and subsistence. Goods and equipment related to an assignment may also be eligible with prior approval by the President.

8.04 Disposal of goods and equipment will be done in accordance with the Bank's established procedures.

Paragraph 9

Coordination and Reporting

9.01 The Bank will provide DFATD with semi-annual progress reports and an annual report within 45 days of March 31 each year. Reports will include the following:

- (a) a list of studies and other activities which were financed;
- (b) the country of assignment;
- (c) the duration and type of mission and other activities which were carried out;
- (d) the amounts allocated and utilised; and
- (e) reporting against the Results Framework.

9.02 For each assignment, the Bank will provide DFATD with a profile of the assignment and consult DFATD for issuing a "no objection" to the assignment. If DFATD's "no objection" is not received within five (5) business days of receipt of the profile, the Bank will proceed to prepare the paper for internal approval of the assignment.

Paragraph 10

Accounting and Financial Reporting

10.01 By May 31 of each year, the Bank will provide DFATD with a copy of its annual financial report (showing CSES-C funds separately) audited by an independent and appropriately qualified auditor.

Paragraph 11
Anti-Terrorism and Anti-Corruption

11.01 Both DFATD and the Bank are firmly committed to the international fight against terrorism, and in particular, against the financing of terrorism. None of the Grant funds will be used, directly or indirectly, to support individuals or entities associated with terrorism.

11.02 The Bank will not knowingly work with any consultants appearing on the Consolidated United Nations Security Council Sanctions List as modified during this Arrangement.

11.03 No offer, gift or payment, consideration or benefit of any kind, which constitutes an illegal or corrupt practice, has or will be made by the Bank to anyone, either directly or indirectly, as an inducement or reward, for the award or execution of this Arrangement. Any such practice will be grounds for terminating this Arrangement or taking any other corrective action as required.

11.04 The Bank reserves the right to investigate, directly or indirectly through its agents, any allegations of corrupt, collusive, coercive and fraudulent practices, relating to the receipt and application of the Grant funds. Any such investigation will be conducted jointly by the Bank and DFATD (or their agents) with a joint report of investigation provided to the relevant authorities in both the Bank and DFATD. All allegations of fraud or corruption will be assessed, and if an investigation is determined to be necessary, will be investigated and appropriate follow-up action will be initiated without delay.

11.05 The Bank will make its best efforts to provide to DFATD a list of consultants before the signature of this Arrangement. If not received before signature, the Bank will provide to DFATD the list of consultants as soon as it is available.

11.06 DFATD may, from time to time, inform the Bank in writing if it has identified consultants on the list that are associated directly or indirectly with terrorism. In such instance, DFATD and the Bank will discuss and determine in good faith an appropriate course of action, including reallocation of remaining funds.

11.07 The Bank will include an appropriate clause in its agreements with Eligible Consultants requiring that the Eligible Consultants use all reasonable efforts to ensure that no funds transferred are used to benefit individuals or entities appearing on the Consolidated United Nations Security Council Sanctions List.

Paragraph 12
Effective Date, Amendment and Termination

12.01 The Arrangement will come into effect on the date of the last signature and will remain in effect until March 31, 2020.

12.02 This Arrangement may be amended at any time in writing subject to the concurrence of both the Bank and DFATD.

12.03 It is expected that the Grant funds will be fully utilized in accordance with the provisions of this Arrangement by March 31, 2020. If at any time, either Participant determines that the purpose of this Arrangement can no longer be effectively or appropriately carried out, this Arrangement may be terminated at the initiative of either Participant by giving the other Participant three (3) months' prior written notice to this effect. Upon termination of this Arrangement, and unless the Participants otherwise agree, any agreement entered into between the Bank and any consultant prior to receipt of the notice of termination of this Arrangement will not be affected by the termination and the Bank will be entitled to continue to receive and disburse the Grant funds in respect of such agreement to the extent necessary in order to fulfil the Bank's obligations under such agreement.

12.04 Upon notification of termination of this Arrangement, the Participants will consult each other with respect to possible reallocation of remaining or uncommitted Grant funds held by the Bank.

17.02 This Arrangement will not be assigned by the Bank without the prior written consent of DFATD.

17.03 Any payment to be made under this Arrangement is subject to there being an appropriation by the Parliament of Canada for the fiscal year in which the payment is to be made. If DFATD's appropriation is changed by the Parliament of Canada, DFATD may reduce the Grant or terminate this Arrangement with a written notice to the Bank.

17.04 Nothing in or relating to any provision in this Arrangement will be construed as constituting a waiver, express or implied, of any of the privileges and immunities of the Participants.

17.05 Neither the Bank, nor anyone else who is engaged by the Bank to help with the implementation of the CSES-C will be considered as employees of DFATD. The Bank also understands that nothing in this Arrangement makes it a partner, joint venturer or agent of DFATD. The Bank will not represent itself, and will ensure its employees and servants do not represent themselves, including in any agreement or arrangement with a consultant, as a partner or agent of DFATD. Nothing in this Arrangement will be deemed or construed to create, or have been intended to create, a partnership, joint venture, employment or agency relations between DFATD and the Bank.

17.06 This Arrangement may be executed in counterparts, each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same agreement.

This Arrangement is not an international treaty. It is not legally binding and it does not create any obligation under public or private international law. It is an administrative arrangement between DFATD and the Bank.

FOR THE DEPARTMENT OF FOREIGN AFFAIRS, TRADE AND DEVELOPMENT CANADA

By: _____

Name: _____

Title: _____

Date: _____

The Caribbean Development Bank confirms its understanding of the foregoing provisions:

FOR THE CARIBBEAN DEVELOPMENT BANK

By: _____

Name: _____

Title: _____

Date: _____