

NONREIMBURSABLE FINANCING AGREEMENT No. GRT/NG-19288-GY

between the

CO-OPERATIVE REPUBLIC OF GUYANA

and the

INTER-AMERICAN DEVELOPMENT BANK

**Acting as Administrator under the Administration Agreement entered with the Norwegian
Agency for Development Cooperation**

Guyana Utility Scale Solar Photovoltaic Program (GUYSOL)

NONREIMBURSABLE FINANCING AGREEMENT

SPECIAL CONDITIONS

This nonreimbursable financing agreement (the "Agreement") is entered into between the CO-OPERATIVE REPUBLIC OF GUYANA ("Beneficiary") and the INTER-AMERICAN DEVELOPMENT BANK (the "Bank" and together with the Beneficiary, the "Parties").

This Agreement is entered into pursuant to a letter agreement between the Bank and the Norwegian Agency for Development Cooperation ("Norad") dated December 8, 2014, as the letter was amended on January 21, 2015 and extended in July 2016, December 2016, November 2019 and November 2020, and as may be amended and extended in the future from time to time (the "Administration Agreement").

CHAPTER I

Purpose and Constituent Elements of the Agreement

SECTION 1.01. Purpose of the Agreement. The purpose of this Agreement is to establish the terms and conditions under which the Bank extends a nonreimbursable financing from the resources received under the Administration Agreement to the Beneficiary to contribute to the financing and execution of the Guyana Utility Scale Solar Photovoltaic Program (GUYSOL), the main aspects of which are set forth in the Annex (the "Program").

SECTION 1.02. Constituent Elements of the Agreement. This Agreement is composed of these Special Conditions, the General Conditions, and the Annex.

CHAPTER II

The Contribution

SECTION 2.01. Amount and Approval Currency of the Contribution. In accordance with this Agreement, the Bank agrees to extend a nonreimbursable financing to the Beneficiary, and the Beneficiary accepts, the nonreimbursable financing of up to the amount of eighty-one million seven hundred thousand Dollars (US\$81,700,000) (the "Contribution") chargeable to the resources received by the Bank from Norad under the Administration Agreement.

SECTION 2.02. Disbursement Requests and Disbursement Currency. (a) The Beneficiary may request Contribution disbursements from the Bank pursuant to Chapter III of the General Conditions.

(b) All disbursements shall be denominated and made in Dollars.

SECTION 2.03. Currency Availability. If the Bank is unable to obtain access to the currency requested by the Beneficiary, the Bank, in consultation with the Beneficiary, may disburse the Contribution in another currency of its choice. The Bank shall disburse the Contribution subject to the availability of resources from Norad.

SECTION 2.04. Disbursement Period. The Original Disbursement Period will be five (5) years from the effective date of this Agreement.

CHAPTER III

Disbursements and Utilization of the Resources of the Contribution

SECTION 3.01. Special Conditions Precedent to First Disbursement. In addition to the conditions precedent stipulated in Article 3.01 of the General Conditions, the first disbursement of the Contribution shall be subject to the fulfillment, to the satisfaction of the Bank, of the following requirements:

- (i) The approval and entry into effect of the Program Operation Manual ("POM") in accordance with the terms and conditions previously agreed upon between the Beneficiary and the Bank.
- (ii) The execution and entry into effect of an agreement between the Beneficiary and the Executing Agency, as defined below, establishing the obligations of the parties for the execution of the Program and the manner in which the resources will be transferred ("Subsidiary Agreement").
- (iii) The creation of a Program Execution Unit ("PEU") within the Executing Agency and the appointment of the following key personnel to the PEU: (a) a Program coordinator; (b) a procurement specialist; (c) a procurement assistant; (d) a financial specialist; (e) an executive assistant; (f) an environmental management specialist; (g) a social management specialist; and (h) a monitoring and evaluation officer.

SECTION 3.02. Utilization of the Resources of the Contribution. (a) The resources of the Contribution may only be used to pay expenses that: (i) are necessary for the Program and are in accordance with its objectives; (ii) are carried out in accordance with the provisions of this Agreement and Bank policies; (iii) are adequately recorded and documented in the Beneficiary's or Executing Agency's system; and (iv) are incurred after June 15, 2022 and before the expiration of the Original Disbursement Period or any extensions thereof (any such expenses "Eligible Expenditures").

(b) Notwithstanding the provisions of paragraph (a) of this Section, expenditures that meet the requirements of its subsection (i) and (iii), consisting of (a) Electrical Interconnection and Battery Optimization Assessments for the Berbice, Linden, and Essequibo PV Programs; (b) Topographic Surveys, Geotechnical Analysis, and Flood Risk Assessments for all project sites; (c) Procurement, and Construction of 33MWp of Solar Photovoltaic Plants with Battery Energy Storage Systems; and (d) the Environmental and Social Assessment consultancy, up to the

equivalent of five percent of the Contribution, may be recognized by the Bank as Eligible Expenditures, provided that they have been incurred between August 24, 2021 and June 15, 2022, in accordance with substantially analogous conditions to those established in this Agreement; and the contracting procedures must be in conformity with the Core Procurement Principles.

SECTION 3.03. Applicable Exchange Rate for Expenditures Incurred in Local Currency of the Beneficiary's Country. For purposes of Article 3.10 of the General Conditions, the Parties agree that the applicable exchange rate shall be: that indicated in paragraph (b)(ii) of said Article. Accordingly, the agreed exchange rate shall be the exchange rate established by the Central Bank of Guyana on the effective date in which the Beneficiary, the Executing Agency, or any other person or legal entity in whom the power to incur expenditures has been vested makes the related payments to the contractor, the supplier, or beneficiary.

SECTION 3.04. Other Requirements for Utilizing Resources of the Contribution. In addition to the provisions of Article 3.01 of the General Conditions and Section 3.01 above, before the resources of the Contribution may be used to finance the activities described below, the Executing Agency shall have presented evidence to the Bank that the following conditions have been fulfilled:

- (i) The appointment of the three electrical engineers as additional key technical personnel to the PEU, prior to execution of activities under Component 1, as described in the Annex.
- (ii) The execution and entry into effect of an operational agreement between the Executing Agency and Linden Electricity Company Incorporated (LECI) establishing their respective roles and responsibilities for the implementation of the activities in Linden.

SECTION 3.05. Suspension of Disbursements. In addition to the provisions of Articles 6.01 and 6.02 of the General Conditions, the Bank, by written notice to the Beneficiary, may suspend disbursements if any of the following circumstances occurs and so long as it continues:

- (i) If applicable, delay, nonfulfillment or failure by Norad to comply with the obligations related to the transfer of resources for the Contribution set forth in the Administration Agreement; and
- (ii) Termination of the Administration Agreement, irrespectively of its cause.

CHAPTER IV **Execution of the Program**

SECTION 4.01. Executing Agency. (a) Guyana Power and Light Inc. shall be the Executing Agency of the Program. The Beneficiary hereby certifies the legal and financial capacity of the Executing Agency to act as such.

(b) The Beneficiary shall assign and transfer the resources of the Contribution to the Executing Agency in accordance with the Subsidiary Agreement.

SECTION 4.02. Procurement of Goods, Works, and Non-consulting Services. (a) For purposes of Article 2.01(22) of the General Conditions, the Parties agree that the Procurement Policies are those dated May 2019, which are contained in document GN-2349-15, approved by the Bank on July 2, 2019. If the Procurement Policies are amended by the Bank, the procurement of works, non-consulting services, and goods shall be carried out in accordance with the provisions of the modified Procurement Policies, once they are made known to the Beneficiary and the Beneficiary agrees in writing to their application.

(b) For the procurement of works, goods, and non-consulting services, any of the methods described in the Procurement Policies may be used, provided that such method has been identified for the respective procurement in the Procurement Plan approved by the Bank. The application of the procurement rules, procedures and systems of the Beneficiary or an entity of the Beneficiary will be subject to the provisions of paragraph 3.2 of the Procurement Policies and the provisions of Article 4.04(b) of the General Conditions.

(c) The threshold for determining the use of international competitive bidding will be made available to the Beneficiary or the Executing Agency, as the case may be, at <https://projectprocurement.iadb.org/en>. Below that threshold, the selection method shall be determined according to the complexity and characteristics of the procurement, which should be reflected in the Procurement Plan approved by the Bank.

(d) In the procurement processes that include the supply and/or installation of solar panels, the Beneficiary, directly or through the Executing Agency, shall ensure that all bidding documents and contracts include provisions that require applicants, bidders, contractors, consultants, representatives, staff members, subconsultants, subcontractors, goods suppliers and their representatives, contractors, consultants, staff members, subcontractors, subconsultants, service providers, concessionaires, and supervising entities, among other aspects, to comply with the ESHS Plans, as defined below, and the environmental and social instruments referred to therein, including procedures to prevent child labor and forced labor.

SECTION 4.03. Selection and Agreement of Consulting Services. (a) For purposes of Article 2.01(7) of the General Conditions, the Parties agree that the Consultant Policies are those dated May 2019, which are contained in document GN-2350-15, approved by the Bank on July 2, 2019. If the Consultant Policies are amended by the Bank, the selection and contracting of consulting services shall be carried out in accordance with the provisions of the modified Consultant Policies, once they are made known to the Beneficiary and the Beneficiary agrees in writing to their application.

(b) For the selection and contracting of consulting services, any of the methods described in the Consultant Policies may be used, provided that such method for the respective procurement has been identified in the Procurement Plan approved by the Bank. The application of the procurement rules, procedures and systems of the Beneficiary or an entity of the Beneficiary will be subject to the provisions of paragraph 3.2 of the Consultant Policies and the provisions of Article 4.04(b) of the General Conditions.

(c) The threshold for determining the shortlist of international consultants will be made available to the Beneficiary or the Executing Agency, as the case may be, at <https://projectprocurement.iadb.org/en>. Below that threshold, the shortlist may be composed entirely of national consultants of the Beneficiary's country.

SECTION 4.04. Procurement Plan Update. In order to update the Procurement Plan in accordance with the provisions of Article 4.04(c) of the General Conditions, the Beneficiary or the Executing Agency, as the case may be, shall use the procurement plan execution and monitoring system determined by the Bank.

SECTION 4.05. Other Documents Governing Program Execution. (a) The Parties agree that the Program execution shall be governed by the provisions of this Agreement and those established in the POM. If any provision of this Agreement should present any inconsistency or contradiction with the POM, the relevant provision of this Agreement shall prevail. Moreover, the Parties agree that it shall be necessary to obtain the Bank's written consent prior to making any change to the POM.

(b) The POM shall include, at the minimum, the following elements: administrative, procurement, and financial management policies and procedures; internal control requirements; the Monitoring and Evaluation Plan; the Environmental and Social Management Framework ("ESMF"); and the Environmental and Social Management Plans ("ESMPs").

SECTION 4.06. Period for Physical Initiation of Works of the Program. The period for physical initiation of the works included in the Program shall be two (2) years from the date this Agreement enters into effect.

SECTION 4.07. Environmental and Social Safeguards. (a) For the purposes of this Agreement, the Parties agree that paragraph (a) of Article 4.06 of the General Conditions shall be read as follows:

"ARTICLE 4.06. Environmental and Social Safeguards. (a) The Beneficiary, directly or through the Executing Agency, as the case may be, agrees to carry out the execution (preparation, construction, and operation) of the activities included in the Program in accordance with the environmental and social policies of the Bank, pursuant to the specific provisions on environmental and social considerations included in the Special Conditions."

(b) For purposes of Articles 4.06 and 5.02 of the General Conditions, the Parties agree that the Program execution shall be governed by the following provisions, which have been identified as necessary for the compliance with the environmental and social obligations of the Program:

The Beneficiary by itself, or through the Executing Agency, as appropriate, shall:

- (i) Annex the ESMF and the ESMPs of each site to the bidding documents necessary to select the main contractors for each construction contract.
- (ii) Prior to the start of any civil works activity, undertake the following actions and document them appropriately: (a) obtain all the required environmental permits, licenses and authorizations; (b) conduct soil testing campaigns at sites with potential environmental liabilities, such as having been previously used for mining activities, identified in the context of the preparation of Environmental and Social Impact Assessment (“ESIA”), to verify the presence of pre-existing contamination and to prepare a remediation plan if needed; (c) prepare the operational Revegetation Plans at sites located on natural habitats in order to restore and offset the effects of clearing vegetation; (d) provide evidence demonstrating that the mitigation measures regarding flooding risk have been incorporated into the final design of the applicable civil work following the results, conclusions and measures identified in the flood risk assessment and the Disaster Risk Management Plan, as defined in the Annex.
- (iii) Throughout the execution of the Program, apply the international best practice for labor standards such as the Bank’s Environmental and Social Performance Standard 2: *Labor and Working Conditions*, and prior to the start of any civil works activity: (a) submit for the approval of the Bank the contractors’ environmental and social management plan (C-ESMP), which shall include a labor assessment to identify measures to assess, prevent, mitigate and continuously monitor any labor and working conditions risks and impacts to workers directly engaged by the contractor, subcontractors, and primary suppliers of solar panels; and (b) if the assessment identifies inadequate labor and working conditions, as defined by the ILO Core Labor Standards¹, in any of the contractors, subcontractors, and primary suppliers of solar panels that cannot be avoided or mitigated, the contractor will shift its primary suppliers to suppliers that can demonstrate adequate labor and working conditions and comply with the specifications of the technical offer. The Bank reserves the right to approve these changes based on the documentation provided and its own analysis.
- (iv) Throughout the execution of the Program, not to engage in any activities identified in the ESMF including activities that involve: (a) Category A projects; (b) involuntary resettlements; (c) economic displacement without adequate mitigation and/or compensation measures; (d) significant adverse impacts on indigenous peoples; (e) acquisition of land that is titled Amerindian Land or that is the object of Land Claims by Amerindian communities; (f) intervening in critical natural habitats and/or generating significant impacts to the biodiversity; (g) intervening in high or moderate disaster risk areas without adequate assessment and mitigation/contingency measures; (h) the use of hazardous materials that are banned at local and international level; (i) improper disposal of non-hazardous and hazardous waste during the entire project life cycle; (j) activities associated with

¹ ILO Forced Labor Convention No 29, 1930 Palermo Protocol 2014.

forced labor and child labor, whether undertaken directly or by contractors and/or primary suppliers of solar panels.

- (v) Throughout the execution of the Program: (a) implement participation processes with the interested parties in the works foreseen in the Program to guarantee that the affected communities are consulted (at least four weeks prior to the beginning of works) and kept informed during construction about the progress of the work and the socio-environmental management of the Program, and have access to conflict resolution mechanisms; and (b) disclose any evaluation and socio-environmental management plan related to the works.
- (vi) Six (6) months prior to the start of the operation stage of the Program, present the operation stage Environmental, Social, Health and Safety ("ESHS") Plans and evidence of their implementation including any required consultation with stakeholders.
- (vii) Obtain, prior to the awarding of the contracts for each of the works of the Program, if applicable, legal possession of the property where the construction of the respective work is to take place, easements or other rights required for its construction and use, as well as water rights required for the work in question. If no legal possession of the properties is obtained, any changes to the Program and construction sites (for example location, design, type, changes to ESHS Plans, etc.) will require the non-objection from the Bank and a new environmental and social due diligence, assessment, and consultation process in a manner consistent with the Bank's environmental and social safeguards policies.
- (viii) Make available to the public all new relevant ESHS documents, including the ESIA's, ESMP's and other plans prepared during the execution of the Program, including those relating to future project sites within the Program.

CHAPTER V

Supervision and Evaluation of the Program

SECTION 5.01. Supervision of the Program Execution. (a) For purposes of Article 5.02 of the General Conditions, the documents that, as of the date of signature of this Agreement, have been identified as necessary to supervise progress in the execution of the Program are: (i) the Results Matrix ("RM"); (ii) the Pluriannual Execution Plan; (iii) the Annual Operational Plan; (iv) the Monitoring and Evaluation Plan; and (v) the Procurement Plan.

(b) The Beneficiary, directly or through the Executing Agency, as the case may be, shall submit the following deliverables:

- (i) The Annual Operational Plan for the first eighteen (18) months of the execution of the Program within sixty (60) days from the date this Agreement enters into effect; and

- (ii) Semi-annual progress reports within sixty (60) days of the end of each semester, containing: (a) a narrative description of activities, procurement process, and implementation issues for the reported period; (b) RM indicators update; (c) statement of costs by component activities and RM indicators; and (d) identification of implementation risks/events and response measures.

SECTION 5.02. Supervision of the Financial Management of the Program. (a) For purposes of Article 5.03 of the General Conditions, as of the date of signature of this Agreement, the following external audit financial reports and other reports have been identified as necessary to supervise the financial management of the Program:

- (i) Audited financial statements of the Program within one hundred twenty (120) days following the close of the respective fiscal year. The audit will be conducted by the Audit Office of Guyana.
- (ii) A final audited financial statement of the Program within one hundred twenty (120) days following the Original Disbursement Period or any extensions thereof.

(b) For purposes of Article 5.03(a) of the General Conditions, the fiscal year of the Program is the period between January 1 and December 31 of each year.

SECTION 5.03. Evaluation of Results. In order to determine the degree of compliance with the Program's objective and its results, the Beneficiary or the Executing Agency, as the case may be, shall provide the Bank with the following information:

- (i) An intermediate evaluation, which will be presented to the Bank within sixty (60) days after the date on which fifty percent (50%) of the Contribution resources have been disbursed, to document, pursuant to the RM, the Program's results and elaborate on factors impacting its performance, based on the methodology and in accordance with the guidelines included in the Monitoring and Evaluation Plan.
- (ii) A final evaluation, which will be presented to the Bank no later than ninety (90) days once ninety percent (90%) of the Contribution resources have been disbursed in accordance with the guidelines included in the Monitoring and Evaluation Plan.

CHAPTER VI **Miscellaneous Provisions**

SECTION 6.01. Entry into Effect of the Agreement. This Agreement shall enter into effect on the signature date by the Beneficiary.

SECTION 6.02. Communications and Notices. (a) Any notice, request, communication, or report from one Party to another by virtue of this Agreement related to the execution of the Program, with the exception of the notices indicated in paragraph (b) hereof, shall be made in writing and shall be considered to have been made when the relevant document is delivered to the addressee at the respective address given below, or by electronic means under such terms and conditions as the Bank establishes and communicates to the Beneficiary, unless the Parties agree otherwise.

For the Beneficiary:

Mailing address:

Ministry of Finance
49 Main and Urquhart Streets
Georgetown, Guyana

Facsimile: (592) 226-1284

Email address: minister@finance.gov.gy

For the Executing Agency:

Mailing address:

Guyana Power and Light
40 Main Street, Cummingsburg
Georgetown

Facsimile: (592) 227-1978

Email address: rhome@gplinc.com

For the Bank:

Mailing address:

Inter-American Development Bank
Country Office in Guyana
47 High Street, Kingston
Georgetown, Guyana

Facsimile: (592) 225 7138

Email address: IDBGuyana@iadb.org

(b) Any notice from one Party to another by virtue of this Agreement regarding matters other than those related to the execution of the Program, including disbursement requests, shall be made in writing and sent by certified mail, electronic mail, or facsimile addressed to its addressee at any of the respective addresses given below and shall be considered to have been made when the relevant document is delivered to the addressee at the respective address given below, or by electronic means under such terms and conditions as the Bank establishes and communicates to the Beneficiary, unless the Parties agree otherwise.

For the Beneficiary:

Mailing address:

Ministry of Finance
49 Main and Urquhart Streets
Georgetown, Guyana

Facsimile: (592) 226-1284

Email address: minister@finance.gov.gy

For the Bank:

Mailing address:

Inter-American Development Bank
1300 New York Avenue, N.W.
Washington, D.C. 20577
U.S.A.

Facsimile: (202) 623-3096

SECTION 6.03. Commitment to Arbitrate. For the resolution of any conflict arising out of or connected with this Agreement and which is not resolved by agreement between the Parties, they unconditionally and irrevocably submit themselves to the procedure and ruling of the Arbitration Tribunal referred to in Chapter X of the General Conditions.

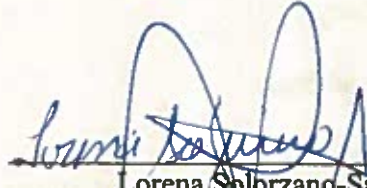
IN WITNESS WHEREOF, the Beneficiary and the Bank, each acting through its authorized representative, have signed this Agreement in Georgetown, Co-operative Republic of Guyana.

CO-OPERATIVE REPUBLIC OF GUYANA

INTER-AMERICAN DEVELOPMENT
BANK



Ashni Singh
Senior Minister, Office of the President
with Responsibility for Finance



Lorena Solorzano-Salazar
Representative a.i. of the Bank in Guyana

Date: 13 Sep., 2022

Date: 13 Sept, 2022

**PART TWO
GENERAL CONDITIONS**

**CHAPTER I
Application and Interpretation**

ARTICLE 1.01. Application of the General Conditions. These General Conditions are uniformly applicable to the nonreimbursable investment financing agreements, which the Bank enters into with its member countries or with other beneficiaries.

ARTICLE 1.02. Interpretation. (a) **Inconsistency.** In the event of contradiction or inconsistency between the provisions of the Special Conditions, any annex of the Agreement, and these General Conditions, those provisions shall prevail over the provisions of these General Conditions. In the event of contradiction or inconsistency between provisions of a single element of this Agreement, or between the provisions of the Special Conditions, any annex of the Agreement, the specific provision shall prevail over the general.

(b) **Headings and Subheadings.** Any heading or subheading of the chapters, articles, clauses, or other sections of this Agreement are included solely for reference and should not be taken into account in the interpretation of this Agreement.

(c) **Periods.** Unless this Agreement provides otherwise, periods expressed in days, months, or years shall be understood as calendar days, months, or years.

**CHAPTER II
Definitions**

ARTICLE 2.01. Definitions. Whenever the following terms are capitalized in this Agreement, they shall have the meaning set forth below. Any reference to the singular includes the plural and vice versa.

1. "Additional Resources" means resources that are additional to those financed by the Bank, which are necessary for the complete and uninterrupted execution of the Project.
2. "Advance of Funds" means the amount of resources advanced by the Bank to the Beneficiary, chargeable to the Contribution, to cover Eligible Expenditures of the Project, as provided for in Article 3.07 of these General Conditions.
3. "Bank" shall have the meaning assigned to it in the Special Conditions.
4. "Board" means the Board of Executive Directors of the Bank.

5. "Beneficiary" shall have the meaning assigned to it in the Special Conditions.
6. "Closing Period" means a period of up to ninety (90) days from the expiration date of the Original Disbursement Period, or any extension thereof.
7. "Consultant Policies" mean the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank in force at the time of the approval of the Contribution by the Bank.
8. "Agreement" means this nonreimbursable financing Agreement.
9. "Contracting Agency" means the entity with legal capacity to enter into a contract for the procurement of goods, works, consulting services, and non-consulting services with a contractor, supplier, consulting firm, or individual consultant, as the case may be.
10. "Contribution" means the funds disbursed from the Financing.
11. "Core Procurement Principles" means the principles that guide the procurement activities and the selection processes pursuant to the Procurement Policies and the Consultant Policies, being the following: value for money, economy, efficiency, equality, transparency, and integrity.
12. "Dollar" means the legal tender of the United States of America.
13. "Eligible Expenditure" shall have the meaning assigned to it in the Special Conditions.
14. "Executing Agency" means the entity with legal capacity responsible for executing the Project and for using the proceeds of the Contribution. Whenever there is more than one Executing Agency, these will be co-executing agencies and shall be referred to indistinctly as "Executing Agencies" or "Co-executing Agencies."
15. "Financial Plan" means a tool for planning and monitoring the cash flows of the Project, which is used in coordination with other project planning tools, including the Procurement Plan.
16. "General Conditions" mean the entirety of articles which comprise Part Two of this Agreement.
17. "Local Currency" means any currency other than the Dollar that is legal tender in the countries of Latin America and the Caribbean.
18. "Original Disbursement Period" means the original period for disbursements of the Contribution, which is set forth in the Special Conditions.

19. "Parties" shall have the meaning assigned to it in the introduction to the Special Conditions.
20. "Procurement Agent" means the entity specialized in managing procurement which, upon agreement with the Borrower or the Executing Agency, as the case may be, may be employed to carry out, partially or in full, the procurement of goods or works, consulting services or non-consulting services for the Project.
21. "Procurement Plan" means a tool for programming and monitoring the procurement related to the Project, in the terms described in the Special Conditions, Procurement Policies, and Consultant Policies.
22. "Procurement Policies" mean the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank in force at the time of the approval of the Contribution by the Bank.
23. "Prohibited Practices" mean the practices prohibited by the Bank in connection with the activities it finances, as defined by the Board or that are defined in the future and communicated to the Beneficiary, including among others: corrupt practice, fraudulent practice, coercive practice, collusive practice, obstructive practice, and misappropriation.
24. "Project" or "Program" means the project or program identified in the Special Conditions comprising a set of activities with a development objective that are financed by proceeds of the Contribution.
25. "Quarter" means each of the following three-month (3-month) periods of the calendar year: the period beginning on January 1 and ending on March 31; the period beginning on April 1 and ending on June 30; the period beginning on July 1 and ending on September 30; and the period beginning on October 1 and ending on December 31.
26. "Semester" means the first or second six (6) months of a calendar year.
27. "Special Conditions" mean the entirety of provisions which comprise Part One of this Agreement.

CHAPTER III
Disbursements, Renunciation, and Automatic Cancellation

ARTICLE 3.01. Conditions Precedent to First Disbursement of Resources of the Contribution. Without prejudice to the other requirements set forth in the Special Conditions, the first disbursement of the resources of the Contribution shall be subject to the fulfillment of the following requirements to the satisfaction of the Bank:

- (a) The Bank shall have received one or more well-founded legal opinions which establish, with citations of the pertinent constitutional, legal, and regulatory provisions, that the obligations undertaken by the Beneficiary in this Agreement, are valid and enforceable. Such opinions shall also refer to any other legal question that the Bank may deem relevant.
- (b) The Beneficiary or the Executing Agency, as the case may be, shall have designated one or more officials to represent it for purposes of requesting disbursements of the Contribution and for other acts relating to the financial management of the Project; and shall have furnished the Bank with authentic copies of the signatures of said representatives. Should two or more officials be designated, the designation shall indicate whether such officials may act separately or must act jointly.
- (c) The Beneficiary or the Executing Agency, as the case may be, shall have provided to the Bank information in writing, through its representative authorized to request disbursements of the Contribution, regarding the bank account into which disbursements of the Contribution are to be deposited. Separate accounts shall be required for disbursements in Local Currency and Dollars. This information will not be necessary in the event the Bank agrees that the resources of the Contribution are to be posted in the Beneficiary's general treasury account.
- (d) The Beneficiary or Executing Agency, as the case may be, shall have demonstrated to the Bank that it has an adequate financial information system and internal control structure for the purposes indicated in this Agreement.

ARTICLE 3.02. Period for Fulfilling the Conditions Precedent to First Disbursement. If within one hundred eighty (180) days from the effective date of this Agreement, or within such longer period as the Parties may agree in writing, the conditions precedent to the first disbursement established in Article 3.01 of these General Conditions and other conditions precedent to the first disbursement agreed upon in the Special Conditions have not been fulfilled, the Bank may terminate this Agreement in advance by giving notice to the Beneficiary.

ARTICLE 3.03. Conditions for All Disbursements. (a) As a condition for all disbursements and without prejudice to the conditions precedent to the first disbursement of the resources of the Contribution established in Article 3.01 of these General Conditions and in the Special Conditions, if any, the Beneficiary or the Executing Agency, as the case may be, undertakes to present to the Bank in writing, whether physically or by electronic means, in such form and conditions as may be specified by the Bank, a disbursement request together with the pertinent documents and other

background materials required by the Bank. Unless the Bank agrees otherwise, the last disbursement request shall be presented to the Bank no later than thirty (30) days in advance of the expiration date of the Original Disbursement Period or any extension thereof.

(b) Unless the Parties agree otherwise, disbursements shall be made only in amounts of not less than the equivalent of one hundred thousand Dollars (US\$100,000) each.

(c) Any charge, fee, or expense assessed to the bank account into which disbursements of the resources of the Contribution are deposited shall be borne by, and are the responsibility of, the Beneficiary or the Executing Agency, as the case may be.

ARTICLE 3.04. Income Generated in the Bank Account for Disbursements. Income generated from the resources of the Contribution deposited in the bank account designated to receive disbursements shall be used to finance Eligible Expenditures.

ARTICLE 3.05. Disbursement Methods. At the request of the Beneficiary or the Executing Agency, as the case may be, the Bank may make disbursements of the resources of the Contribution through: (a) reimbursement of expenditures; (b) Advance of Funds; (c) direct payments to third parties; and (d) reimbursement under a letter of credit guarantee.

ARTICLE 3.06. Reimbursement of Expenditures. (a) The Beneficiary or the Executing Agency, as the case may be, may request disbursements under the reimbursement of expenditures method when the Beneficiary or the Executing Agency, as the case may be, has paid for Eligible Expenditures with its own resources.

(b) Unless the Parties agree otherwise, disbursement requests for reimbursing expenditures shall be made promptly to the extent that the Beneficiary or the Executing Agency, as the case may be, has incurred such expenditures, and not later than sixty (60) days following the conclusion of each calendar semester.

ARTICLE 3.07. Advance of Funds. (a) The Beneficiary or the Executing Agency, as the case may be, may request disbursements under the Advance of Funds method. The amount of the Advance of Funds shall be set by the Bank on the basis of (i) the liquidity needs of the Project in order to cover periodic projections of Eligible Expenditures during a period of up to six (6) months, unless the Financial Plan provides for a longer period, which in no case may exceed twelve (12) months, and (ii) the risks associated with the capacity demonstrated by the Beneficiary or the Executing Agency, as the case may be, to manage and use the resources of the Contribution.

(b) Each Advance of Funds shall be subject to: (i) the request for Advance of Funds being presented in a manner acceptable to the Bank; and (ii) with the exception of the first Advance of Funds, the Beneficiary or the Executing Agency, as the case may be, having presented a justification for the use of at least eighty percent (80%) of the total cumulative balances pending justification for this purpose, and the Bank having accepted such justification, unless the Financial Plan specifies a lower percentage, which in no case may be less than fifty percent (50%).

(c) The Bank may, during the term of the Financial Plan, provide for a one-time increase in the amount of the last Advance of Funds granted to the Beneficiary or the Executing Agency, as the case may be, to the extent that additional resources are needed to pay Eligible Expenditures that were unforeseen in said plan.

(d) The Beneficiary or the Executing Agency, as the case may be, shall present the last Advance of Funds request no later than thirty (30) days prior to the date of the expiration of the Original Disbursement Period or any extension thereof, in the understanding that the justification for such Advance of Funds shall be presented to the Bank during the Closing Period. The Bank shall not disburse resources subsequent to the expiration of the Original Disbursement Period or any extension thereof.

(e) The value of each Advance of Funds to the Beneficiary or the Executing Agency, as the case may be, must be maintained in the equivalent value expressed in the respective disbursement currency or in the Approval Currency. Eligible Expenditures incurred with resources of an Advance of Funds must be justified in the equivalent of the total amount of the Advance of Funds expressed in the respective disbursement currency or in the Approval Currency, using the exchange rate established in this Agreement. The Bank may accept adjustments in the justification of the Advance of Funds due to exchange rate fluctuations, provided that they do not impact the execution of the Project.

ARTICLE 3.08. Direct payments to third parties. (a) The Beneficiary or the Executing Agency, as the case may be, may request disbursements under the method of direct payments to third parties, by means of which the Bank directly pays providers or contractors on behalf of the Beneficiary or the Executing Agency, as the case may be.

(b) In case of direct payments to third parties, the Beneficiary or the Executing Agency shall be responsible for payment of the amount equivalent to the difference between the amount of the disbursement requested by the Beneficiary or the Executing Agency and the amount received by the third party as the result of exchange rate fluctuations, commissions, and other financial costs.

(c) Notwithstanding paragraph (a) above and Article 6.04(b) of these General Conditions, whenever the Bank so determines, it may, by written notice to the Beneficiary or the Executing Agency, as appropriate, render void the request for direct payment submitted by the Beneficiary or the Executing Agency, as the case may be.

ARTICLE 3.09. Reimbursement under a Letter of Credit Guarantee. The Beneficiary or the Executing Agency, as the case may be, may request disbursements through reimbursement under a letter of credit, in order to reimburse commercial banks for payments made to contractors or providers of goods and services by virtue of a letter of credit issued and/or confirmed by a commercial bank and guaranteed by the Bank. The letter of credit must be issued and/or confirmed in a manner satisfactory to the Bank. The resources committed under the letter of credit and guaranteed by the Bank shall be used exclusively for the purposes established in the letter of credit for as long as the guarantee remains in effect.

ARTICLE 3.10. Exchange rate. (a) The Beneficiary undertakes to justify, or to cause the Executing Agency to justify, as the case may be, expenditures chargeable to the Contribution or the Additional Resources, expressing such expenditures in either the currency of denomination or the Approval Currency of the respective disbursement.

(b) To determine the equivalence of an Eligible Expenditure incurred in the Local Currency of the Beneficiary's country to the currency in which the disbursements are made, or alternatively to the Approval Currency, for purposes of accounting and justification of expenses, regardless of the source of financing of the Eligible Expenditure, one of the following exchange rates shall be used, pursuant to the Special Conditions:

- (i) the exchange rate in force on the date on which the Approval Currency or disbursement currency is converted into the Local Currency of the Beneficiary's country; or
- (ii) the exchange rate in force on the date of payment of the expenditure in the Local Currency of the Beneficiary's country.

(c) In those cases in which the exchange rate established in paragraph (b)(i) of this Article is selected, to determine the equivalent of expenditures incurred in the Local Currency chargeable to the Additional Resources or the reimbursement of expenditures chargeable to the Contribution, the rate used shall be the exchange rate agreed upon with the Bank in the Special Conditions.

ARTICLE 3.11. Receipts. At the request of the Bank, the Beneficiary shall sign and deliver to the Bank, upon completion of disbursements, a receipt or receipts for the amounts disbursed.

ARTICLE 3.12. Renunciation of Part of the Contribution. The Beneficiary may renounce, by notice to the Bank, its right to utilize any part of the Contribution which has not been disbursed before the receipt of such notice, provided that the resources of the Contribution are not subject to the guarantee of an irrevocable letter of credit, pursuant to Article 6.04 of these General Conditions.

ARTICLE 3.13 Automatic Cancellation of Portion of the Contribution. Upon expiration of the Original Disbursement Period and any extension thereof, any portion of the Contribution not committed or disbursed shall automatically be cancelled.

ARTICLE 3.14. Closing Period. (a) The Beneficiary undertakes to carry out, or to cause the Executing Agency to carry out, as the case may be, the following actions during the Closing Period: (i) finalize pending payments to third parties, if any; (ii) reconcile its records and present to the Bank's satisfaction the supporting documentation relating to expenditures charged to the Project and other information that the Bank may request; and (iii) return to the Bank the unjustified balance of disbursed resources of the Contribution.

(b) Notwithstanding the foregoing, if this Agreement provides for external financial audit reports financed with resources of the Contribution, the Beneficiary or the Executing Agency,

as the case may be, agrees to reserve, in the manner agreed with the Bank, sufficient resources to cover the payment of the corresponding auditing services. In this case, the Beneficiary or the Executing Agency, as the case may be, also undertakes to agree with the Bank as to how the corresponding payments for such audits will be made. In the event the Bank does not receive the above-mentioned external financial audit reports within the periods stipulated in this Agreement, the Beneficiary or the Executing Agency, as the case may be, agrees to return to the Bank the resources reserved for such purpose, which shall not be construed as a waiver by the Bank to exercise the rights set forth in Chapter VI of this Agreement.

CHAPTER IV **Execution of the Project**

ARTICLE 4.01. Financial Management Systems and Internal Control. (a) The Beneficiary shall maintain, or cause the Executing Agency and Procurement Agent, if any, to maintain, as the case may be, internal controls so as to reasonably ensure: (i) that Project resources are used for the purposes of this Agreement, devoting special attention to the principles of economy and efficiency; (ii) that Project assets are adequately safeguarded; (iii) that Project transactions, decisions, and activities are duly authorized and executed in accordance with the provisions of this Agreement and any other contract related to the Project; and (iv) that transactions are properly documented and recorded in a way that facilitates the production of timely and reliable reports.

(b) The Beneficiary shall maintain, and shall cause the Executing Agency and the Procurement Agent, if any, to maintain, an acceptable and reliable financial management system for the timely management of Project resources that provides for: (i) financial planning; (ii) accounting, budgetary, and financial record-keeping; (iii) contract administration; (iv) payment processing; (v) the issuance of financial audit reports and other reports associated with the resources of the Contribution, the Additional Resources, and other financing sources of the Project, if any.

(c) The Beneficiary shall preserve, and shall cause the Executing Agency or the Procurement Agent, as the case may be, to preserve, the original records of the Project for a minimum period of three (3) years after the expiration date of the Original Disbursement Period or any extension thereof. Such documents and records shall be maintained adequately in order to: (i) substantiate Project-related activities, decisions, and transactions, including all expenditures incurred; and (ii) show the correlation of the expenditures incurred under the Contribution to the respective disbursement made by the Bank.

(d) The Beneficiary shall include, or cause the Executing Agency and the Procurement Agent, if any, to include in all bidding documents, requests for proposals, and contracts financed with the resources of the Contribution that they enter into, respectively, a provision requiring that providers of goods or services, contractors, subcontractors, consultants and their agents, personnel, subconsultants, subcontractors, or concessionaires contracted by them, keep all documents and records related to activities financed with resources of the Contribution for a period of seven (7) years after completion of the work contemplated in the relevant contract.

ARTICLE 4.02. Additional Resources. The Beneficiary, directly or through the Executing Agency, as the case may be, commits to contribute Additional Resources in a timely manner. If, as of the approval date of the Contribution by the Bank, it has been determined that Additional Resources are needed, the estimated amount of such Additional Resources shall be that specified in the Special Conditions. Whether or not an estimate of the amount of the Additional Resources has been determined shall neither limit nor diminish the obligation of the Beneficiary, directly or through the Executing Agency, to contribute in a timely manner all additional resources which may be necessary for the complete and uninterrupted execution of the Project.

ARTICLE 4.03. General Provisions for Execution of the Project. (a) The Beneficiary shall execute, or cause the Executing Agency, as the case may be, to execute the Project in accordance with the objectives thereof, with due diligence in an economically, financially, administratively, and technically efficient manner, and in accordance with the provisions of this Agreement and the plans, specifications, investment schedule, budgets, regulations, and other relevant documents of the Project approved by the Bank. The Beneficiary or the Executing Agency, as the case may be, further agrees that all of its obligations shall be fulfilled to the satisfaction of the Bank.

(b) Any significant modification of the plans, specifications, investment schedule, budgets, regulations, or other documents which the Bank approves, as well as any substantial change in contracts financed with resources of the Contribution, shall require the written consent of the Bank.

(c) In case of contradiction or inconsistency between the provisions of this Agreement and any plan, specification, investment schedule, budget, regulations, or other relevant document of the Project approved by the Bank, the provisions of this Agreement shall prevail over those documents.

ARTICLE 4.04. Selection and Contracting of Works and Non-consulting Services, Procurement of Goods, and Selection and Contracting of Consulting Services. (a) Subject to the provisions of paragraph (b) of this Article, the Beneficiary undertakes to carry out and, where appropriate, cause the Executing Agency or the Procurement Agent, if any, to carry out the procurement of works and non-consulting services, as well as the procurement of goods, in accordance with the Procurement Policies and the Procurement Plan approved by the Bank, and the selection and contracting of consulting services, in accordance with the Consultant Policies and the Procurement Plan approved by the Bank. The Beneficiary represents that it is aware of the Procurement Policies and Consultant Policies and undertakes to inform the Executing Agency, and the Procurement Agent, as the case may be, of these Policies.

(b) When the Bank has satisfactorily assessed and deemed acceptable the procurement rules, procedures and systems of the Beneficiary or an entity of the Beneficiary, the Beneficiary or the Executing Agency, as the case may be, may carry out the procurement and contracting financed wholly or partially with resources of the Contribution using such procurement rules, procedures and systems, in accordance with the terms of the acceptance of the Bank and applicable accepted legislation and processes. The terms of such acceptance shall be notified in writing by the Bank to the Beneficiary and the Executing Agency. Use of procurement rules, procedures and systems of the Beneficiary or an entity of the Beneficiary may be suspended by the Bank when, in

its opinion, changes have occurred in the parameters or practices the Bank used as the basis for its acceptance, until such time as the Bank determines whether such changes are compatible with international best practices. During such suspension, the Procurement Policies and Consultant Policies of the Bank will apply. The Beneficiary, directly or through the Executing Agency, as the case may be, undertakes to notify the Bank of any change in the applicable legislation or processes that have been so accepted. The use of procurement rules, procedures and systems of the Beneficiary or an entity of the Beneficiary does not constitute a waiver of the application of the provisions set forth in Section I of the Procurement Policies and Consultant Policies, including the requirement that the respective procurement and contracting of services be contained in the Procurement Plan and is subject to the remaining provisions of this Contract. The provisions of Section I of the Procurement Policies and Consultant Policies shall apply to all contracts, regardless of amount or contracting method. The Beneficiary agrees to include, or to cause the Executing Agency, as the case may be, to include in the model bidding documents, contracts, and instruments used in electronic or information systems (in physical or electronic media) measures to ensure the application of the provisions set forth in Section I of the Procurement Policies and Consultant Policies, including the provisions on Prohibited Practices.

(c) The Beneficiary agrees to update, or to cause the Executing Agency, as the case may be, to maintain an updated Procurement Plan, and to update the Procurement Plan at least annually or more frequently, depending on the Project needs. Each updated version of the Procurement Plan shall be submitted for review and approval of the Bank.

(d) The Bank will conduct a review of the selection, contracting, and procurement processes, as set forth in the Procurement Plan. At any time during the execution of the Project, the Bank may change the method of review of these processes, with prior notice to the Beneficiary or the Executing Agency. The changes approved by the Bank shall be reflected in the Procurement Plan.

ARTICLE 4.05. Use of Goods. Except as otherwise expressly authorized by the Bank, any goods procured with the resources of the Contribution shall be used exclusively for the purposes of the Project.

ARTICLE 4.06. Environmental and Social Safeguards. (a) The Beneficiary, directly or through the Executing Agency, as the case may be, agrees to carry out the execution (preparation, construction, and operation) of the activities included in the Project in accordance with the Bank's Environment and Safeguards Compliance Policies, Environmental and Social Policy Framework including its Environmental and Social Performance Standards, as well as with their respective Directives and Guidelines, pursuant to the specific provisions on environmental and social considerations included in the Special Conditions.

(b) The Beneficiary, directly or through the Executing Agency, as the case may be, agrees to immediately inform the Bank of any noncompliance with the environmental and social obligations set forth in the Special Conditions.

(c) The Beneficiary, directly or through the Executing Agency, as the case may be, agrees to implement a corrective action plan, agreed upon with the Bank, to mitigate, correct, and

compensate any adverse consequences that may result from the failure to comply with the implementation of the environmental and social obligations set forth in the Special Conditions.

(d) The Beneficiary agrees to allow the Bank, whether directly or through the contracting of consulting services, to carry out supervision activities, including environmental and social audits of the Project, in order to confirm compliance with the environmental and social obligations set forth in the Special Conditions.

ARTICLE 4.07. Ineligible Expenditures for the Project. In the event that the Bank determines that an expenditure incurred does not meet the requirements to be considered an Eligible Expenditure or Additional Resources, the Beneficiary or the Executing Agency, as the case may be, shall take such actions as are necessary to remedy the situation, as required by the Bank, including reimbursement of the resources of the Contribution used for ineligible expenses, without prejudice to any other measures the Bank may exercise under this Agreement.

CHAPTER V

Supervision and Evaluation of the Project

ARTICLE 5.01. Inspections. (a) The Bank may establish such procedures as it deems necessary to ensure the satisfactory development of the Project.

(b) The Beneficiary shall permit, or cause the Executing Agency, as the case may be, and the Procurement Agent, if any, to permit the Bank, its investigators, agents, auditors, and experts it engages, to inspect, at any time, the Project and the facilities, equipment, and materials involved therein, and to examine such systems, records, and documents as the Bank may deem pertinent. In addition, the Beneficiary or the Executing Agency, as the case may be, and the Procurement Agent, if any, shall ensure that their agents fully cooperate with the personnel which the Bank sends or designates for this purpose. All the costs relating to transportation, salaries, and other expenses of such personnel shall be borne by the Bank.

(c) The Beneficiary shall provide, or cause the Executing Agency, as the case may be, and the Procurement Agent, if any, to provide to the Bank any documents relating to the Project that the Bank may request, in a form and within a time frame acceptable to the Bank. Without prejudice to any measures the Bank may take under this Agreement in the event such documentation is not available, the Beneficiary or the Executing Agency, as the case may be, and the Procurement Agent, if any, shall submit an affidavit to the Bank setting forth the reasons why the requested material is unavailable or is being withheld.

(d) The Beneficiary shall include, or cause the Executing Agency, as the case may be, and the Procurement Agent, if any, to include a provision in bidding documents, requests for proposals, and contracts entered into by them relating to the execution of the Contribution in order to: (i) allow the Bank, its investigators, agents, auditors, or experts, to inspect accounts, records, and other documents relating to the submission of bids and to the performance of the corresponding contract or agreement; and (ii) provide that such accounts, records, and documents may be submitted to the auditors designated by the Bank for an opinion.

ARTICLE 5.02. Plans and Reports. To enable the Bank to supervise progress in the execution of the Project and the scope of its results, the Beneficiary, directly or through the Executing Agency, as the case may be shall:

- (a) Present to the Bank the information, plans, reports, and other documents in such form and substance as the Bank may reasonably request, based on the progress of the Project and its level of risk;
- (b) Comply with the actions and obligations established in such plans, reports, and other documents agreed upon with the Bank;
- (c) Inform the Bank upon identifying any risks or significant changes that cause or may cause delays or difficulties in Project execution; and
- (d) Inform the Bank within no more than thirty (30) days of the initiation of any proceedings, claim, suit, or legal, arbitral, or administrative action relating to the Project and keep the Bank informed on the status thereof.

ARTICLE 5.03. External Financial Audit Reports and other Financial Reports. (a) Unless the Special Conditions establish otherwise, the Beneficiary, directly or through the Executing Agency, as the case may be, shall present the Bank with the external financial audit reports and other reports identified in the Special Conditions within one hundred twenty (120) days following the closing of each fiscal year of the Project and within the Original Disbursement Period or any extension thereof, and within one hundred twenty (120) days following the date of the last disbursement.

(b) In addition, the Beneficiary, directly or through the Executing Agency, as the case may be, shall present to the Bank other financial reports in such form and with such content and frequency as the Bank may reasonably request during the Project's execution when, in the opinion of the Bank, the analysis of the level of the Project's fiduciary risk, complexity, or nature so warrant.

(c) Any external audit that may be required under the provisions of this Article and the corresponding provisions of the Special Conditions shall be performed by independent auditors who have been previously accepted by the Bank or by a supreme audit institution previously accepted by the Bank, in accordance with auditing principles and standards acceptable to the Bank. The Beneficiary, directly or through the Executing Agency, as the case may be, shall authorize the supreme audit institution or the independent auditors to provide the Bank with such additional information it may reasonably request with respect to the external financial audit reports.

(d) The Beneficiary, directly or through the Executing Agency, as the case may be, shall select and contract the independent auditors indicated in paragraph (c) above, in accordance with the procedures and terms of reference agreed upon with the Bank. In addition, the Beneficiary or the Executing Agency, as the case may be, shall provide to the Bank any information it requests relating to the independent auditors under contract.

(e) In the event an external audit required under the provisions of this Article and the corresponding provisions of the Special Conditions is to be performed by a supreme audit institution and such agency is unable to perform the audit in accordance with requirements satisfactory to the Bank or within the deadlines, for the period, or with the frequency stipulated in this Agreement, the Beneficiary or the Executing Agency, as the case may be, shall select and contract the services of independent auditors acceptable to the Bank, as provided under paragraphs (c) and (d) of this Article.

(f) Notwithstanding the provisions above, the Bank may, on an exceptional basis, select and contract the services of independent auditors to audit the financial audit reports provided for in this Agreement when: (i) pursuant to the findings of a Bank-conducted cost-benefit analysis, it is determined that the benefits associated with the hiring of such services by the Bank outweigh the costs; (ii) there is limited access to auditing services in the country; or (iii) special circumstances warrant the selecting and hiring of such services by the Bank.

(g) The Bank reserves the right to request the Beneficiary or the Executing Agency, as the case may be, to have external audits other than financial audits or to have services carried out relating to the auditing of projects, of the Executing Agency and related entities, of the financial information system, and of the bank accounts of the Project, among others. The nature, frequency, scope, timing, methodology, type of applicable auditing norms, reports, auditor selection procedures, and terms of reference for the audits shall be agreed upon between the Parties.

CHAPTER VI

Suspension of Disbursements and Cancellations

ARTICLE 6.01. Suspension of Disbursements. The Bank, by written notice to the Beneficiary, may suspend disbursements if any of the following circumstances occurs and so long as it continues:

- (a) Delay in the payment of any sums owed by the Beneficiary to the Bank as reimbursement of resources of the Contribution used for ineligible expenses, or otherwise, under the terms of this Agreement or any other Contract between the Bank and the Beneficiary, including any other nonreimbursable financing Agreements.
- (b) Noncompliance by the Beneficiary, or the Executing Agency, as the case may be, of any other obligation set forth in any contract entered into with the Bank for the financing of the Project, including this Agreement, as well as noncompliance by the Beneficiary or the Executing Agency, as the case may be, with any contract they enter into for the execution of the Project.
- (c) Withdrawal or suspension from membership in the Bank of the country in which the Project is to be executed.

- (d) When, in the opinion of the Bank, the objective of the Project or the Contribution may be adversely affected or the execution of the Project may be improbable owing to: (i) any restriction, modification, or alteration of the legal capacity, functions, or assets of the Beneficiary or the Executing Agency, as the case may be; or (ii) any modification or change made without the written concurrence of the Bank of any condition fulfilled before the approval of the Contribution by the Bank.
- (e) Any extraordinary circumstance which, in the opinion of the Bank: (i) makes it unlikely that the Beneficiary, the Executing Agency, as the case may be, will be able to fulfill the obligations established in this Agreement or (ii) prevents the fulfillment of the Project's development objectives.
- (f) Whenever the Bank determines that an employee, agent, or representative of the Beneficiary, the Executing Agency, or the Procurement Agent, as the case may be, has engaged in a Prohibited Practice in connection with the Project.

ARTICLE 6.02. Early Termination and Cancellation of Undisbursed Balances. The Bank, by means of a written notification, may totally or partially cancel the undisbursed portion of the Contribution, if:

- (a) any of the circumstances set forth in paragraphs (a), (b) and (c) of the preceding Article continues for more than sixty (60) days;
- (b) any of the circumstances set forth in paragraphs (d) and (e) of the previous article occurs and so long as it continues, and the Beneficiary or the Executing Agency, as the case may be, fails to provide to the Bank the clarifications or additional information that the Bank considers necessary;
- (c) the Bank, in accordance with its sanctions procedures, determines that any firm, entity, or individual bidding for or participating in a Bank-financed activity, including applicants, bidders, contractors, consulting firms and individual consultants, personnel, subcontractors, subconsultants, providers of goods or services, concessionaires, financial intermediaries, or a Contracting Agency (including their respective officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted), has engaged in a Prohibited Practice in connection with the Project; and that the Beneficiary, the Executing Agency, or the Procurement Agent, as the case may be, has not taken adequate remedial measures (including providing adequate notice to the Bank upon learning of the Prohibited Practice) within a period of time the Bank considers reasonable; and
- (d) the Bank determines, at any time, that a procurement of goods or the contracting of works or non-consulting services was carried out without following the procedures set forth in this Agreement. In this case, the cancellation or early termination will apply to the portion of the Contribution used for such procurement or contracting and any amounts already used will be reimbursed to the Bank.

ARTICLE 6.03. Provisions Not Affected. The application of the measures provided in this Chapter shall not affect the obligations of the Beneficiary established in this Agreement, which shall remain in full force and effect.

ARTICLE 6.04. Disbursements Not Affected. Notwithstanding the provisions of Articles 6.01 and 6.02 above, none of the measures set forth in this Chapter shall affect the disbursement by the Bank of any amounts of the resources of the Contribution: (a) subject to the guarantee of an irrevocable letter of credit; (b) which, by specific written agreement with the Beneficiary, the Executing Agency, or the Procurement Agent, as the case may be, the Bank has agreed to provide to pay Eligible Expenditures directly to the respective supplier; and (c) payable to Bank, pursuant to the Beneficiary's instructions.

CHAPTER VII **Prohibited Practices**

ARTICLE 7.01. Prohibited Practices. (a) In addition to the provisions established in Articles 6.01(f) and 6.02(c) of these General Conditions, if the Bank determines, in accordance with its sanctions procedures, that a firm, entity, or individual bidding for or participating in a Bank-financed activity, including, among others, applicants, bidders, contractors, consulting firms and individual consultants, personnel, subcontractors, subconsultants, providers of goods or services, concessionaires, financial intermediaries, or a Contracting Agency (including their respective officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted) has engaged in a Prohibited Practice in connection with the execution of the Project, the Bank may take the actions provided for in its sanctions procedures in effect as of the date of this Agreement or the amendments thereto that the Bank approves from time to time and makes known to the Beneficiary, including:

- (i) Denying financing of contracts for the procurement of goods or the contracting of works or consulting or non-consulting services;
- (ii) Declaring a contract ineligible for Bank financing whenever there is evidence that the agent of the Beneficiary, the Executing Agency, or the Contracting Agency, as the case may be, has not taken adequate remedial measures (including providing adequate notice to the Bank upon learning of the commission of the Prohibited Practice) within a period of time the Bank considers reasonable;
- (iii) Issuing the firm, entity, or individual determined to be responsible a reprimand in the form of a formal letter of censure for its behavior;
- (iv) Declaring a firm, entity, or individual determined to be responsible for engaging in the Prohibited Practice ineligible, either permanently or temporarily, to participate in Bank-financed activities, whether directly as a

contractor or supplier, or indirectly as a subconsultant, subcontractor, or a supplier of goods, consulting services, or non-consulting services;

- (v) Referring the matter to appropriate law enforcement authorities; and
- (vi) Imposing fines representing reimbursement to the Bank of costs associated with investigations and proceedings in connection with the commission of the Prohibited Practice.

(b) The provisions of Article 6.01(f) and Article 7.01(a)(i) shall also apply in cases in which the Procurement Agent or any firm, entity, or individual bidding for or participating in a Bank-financed activity, including applicants, bidders, contractors, consulting firms and individual consultants, personnel, subcontractors, subconsultants, providers of goods or services, concessionaires (including their respective officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted) has been temporarily suspended from eligibility to take part in a bidding or other selection process for the awarding of new contracts pending the final outcome of an investigation into a Prohibited Practice.

(c) The imposition of any action to be taken by the Bank pursuant to the provisions referred to above will be made public, except in cases of private reprimand.

(d) Any firm, entity, or individual bidding for or participating in a Bank-financed activity, including applicants, bidders, contractors, consulting firms and individual consultants, personnel, subcontractors, subconsultants, providers of goods or services, concessionaires, or a Contracting Agency (including their respective officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted) may be sanctioned by the Bank pursuant to agreements the Bank may have with other international financial institutions regarding the mutual enforcement of debarment decisions. For purposes of this paragraph (d), the term "sanction" shall mean any permanent or temporary debarment, conditions on future contracting, or any publicly disclosed action taken in response to a violation of an international financial institution's applicable framework for addressing allegations of Prohibited Practices.

(e) When the Beneficiary procures goods or contracts works or non-consulting services directly from a specialized agency under an agreement between the Beneficiary and such specialized agency, all provisions under this Agreement regarding sanctions and Prohibited Practices shall apply in their entirety to applicants, bidders, providers of goods and their agents, contractors, consultants, personnel, subcontractors, subconsultants, service providers, concessionaires (including their respective officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted), or to any other entities that have signed contracts with such specialized agency, to supply goods, works, or non-consulting services in connection with Bank-financed activities. The Beneficiary or the Executing Agency, as the case may be, agrees to adopt, as may be required by the Bank, remedies such as suspension or termination of the corresponding contract. The Beneficiary agrees that the contracts it enters into with specialized agencies shall include provisions requiring them to consult the Bank's list of firms and individuals debarred either temporarily or permanently by the Bank from participating in a procurement or contracting operation financed wholly or partially with resources of the Contribution. In the event a specialized agency signs a contract or purchase order with a firm or

an individual temporarily or permanently debarred by the Bank as indicated in this article, the Bank will not finance such contracts or expenditures and will apply such other remedies as it deems appropriate.

CHAPTER VIII
Provision on Exemptions

ARTICLE 8.01. Tax exemption. The Beneficiary undertakes to ensure that any reimbursement of resources of the Contribution in light of particular circumstances established in this Agreement shall be paid without any deduction or restriction, exempt from any tax, fee, duty, or charge established or that may be established by the laws of its country, and from any tax, fee, or duty applicable to the signing, recording, and execution of this Agreement.

CHAPTER IX
Miscellaneous Provisions

ARTICLE 9.01. Modifications and Contractual Waivers. Any modification or waiver of the provisions of this Agreement shall be agreed upon in writing by the Parties.

ARTICLE 9.02. Non-waiver of Rights. Any delay or failure by the Bank to exercise its rights pursuant to this Agreement may not be construed as a waiver of such rights or as implied acceptance of events, actions, or circumstances that would have empowered it to exercise them.

ARTICLE 9.03. Termination. (a) This Agreement and all obligations arising from it shall be deemed terminated at the expiration of the Closing Period, with the exception to those referred to in paragraph (b) of this Article.

The obligations acquired by the Beneficiary under this Agreement with respect to Prohibited Practices and other obligations relating to the operational policies of the Bank, shall remain in effect until such obligations are deemed fulfilled to the satisfaction of the Bank.

ARTICLE 9.03. Validity. The rights and obligations established in this Agreement are valid and enforceable in accordance with the terms agreed upon herein, regardless of the laws of any given country.

ARTICLE 9.04. Disclosure of Information. The Bank may disclose this Agreement and any information related thereto, in accordance with its access to information policy in effect at the time of such disclosure.

CHAPTER X
Arbitration Procedure

ARTICLE 10.01. Composition of the Tribunal. (a) The arbitration tribunal shall be composed of three members to be appointed in the following manner: one by the Bank; another by the Beneficiary; and a third, hereinafter the "President," by direct agreement between the Parties or through their respective arbitrators. In all decisions, the President of the tribunal shall have the right to cast a double vote in the case of deadlock. If the Parties or the arbitrators fail to agree on who the President shall be, or if one of the Parties is unable to designate an arbitrator, the President shall be appointed, at the request of either Party, by the Secretary General of the Organization of American States. If either of the Parties fails to appoint an arbitrator, one shall be appointed by the President. If either of the appointed arbitrators or the President is unwilling or unable to act or to continue to act, his or her successor shall be appointed in the same manner as for the original appointment. The successor shall have the same functions as his or her predecessor.

ARTICLE 10.02. Initiation of the Procedure. In order to submit the conflict to arbitration, the claimant shall address to the other party a written notification setting forth the nature of the claim, the satisfaction or compensation it seeks, and the name of the arbitrator it appoints. The party receiving such notification shall, within forty-five (45) days, notify the adverse party of the name of the person it appoints as arbitrator. If, within seventy-five (75) days as of the notification of the initiation of the arbitral proceeding, the Parties have not agreed upon the person who is to act as President, either party may request the Secretary General of the Organization of American States to make the appointment.

ARTICLE 10.03. Convening of the Tribunal. The arbitration tribunal shall be convened in Washington, District of Columbia, United States of America, on the date designated by the President, and, once convened, shall meet on the dates which the tribunal itself shall establish.

ARTICLE 10.04. Procedure. (a) The tribunal is specifically empowered to decide any matter under its jurisdiction and shall adopt its own procedures. In any case, it shall give the Parties the opportunity to make oral presentations. All decisions of the tribunal shall be made by majority vote.

(b) The Tribunal shall base its rulings on the terms of the Agreement, and shall render its award even if one of the Parties fails to appear.

(c) The award shall be in writing and shall be adopted with the concurrent vote of at least two (2) members of the tribunal. It shall be handed down within approximately sixty (60) days from the date on which the President is appointed, unless the tribunal determines that, due to special and unforeseen circumstances, such period should be extended. The award shall be notified to the Parties by means of a notification signed by at least two (2) members of the tribunal, and shall be complied with within thirty (30) days from the date of notification. The award shall be final and will not be subject to any appeal.

ARTICLE 10.05. Costs. The fees of each arbitrator and the costs of arbitration (with the exception of attorneys' fees and the fees of other experts, which shall be covered by the Parties

that appointed them) shall be covered by both Parties in equal proportion. Any doubt regarding the division of costs or the manner in which they are to be paid shall be determined, without appeal, by the tribunal.

ARTICLE 10.06. Notification. All notifications relative to the arbitration or to the award shall be made in the manner provided in this Agreement. The parties waive any other form of notification.

ANNEX

THE PROGRAM

Guyana Utility Scale Solar Photovoltaic Program (GUYSOL)

I. Objective

- 1.01** The general objective of the Program is to support the diversification of Guyana's energy matrix towards the use of climate-resilient renewable energy sources in the electricity generation matrix.

II. Description

- 2.01** To achieve the objective indicated in paragraph 1.01 above, the Program comprises the following components:

Component 1. Solar Photovoltaic (PV) Solutions in the Electricity Matrix

- 2.02** This component will invest in solar photovoltaic plants projects as follows: (i) 10 MWp of generation capacity connected to the Demerara-Berbice Interconnected System (DBIS) in the Berbice area; (ii) 8MWp in the Essequibo Coast Isolated System including a Battery Energy Storage System (BESS) with a minimum capacity of 12MWh; and (iii) 15MWp connected to the Linden Isolated System inclusive of a BESS with a minimum capacity of 22MWh. Each facility will be connected to the 13.8kV primary distribution network in the respective areas. Guyana Power & Light Inc. (GPL) has preliminarily identified the general location for the installation of Solar PV facilities in each project site, which will use public land and technical project designs which are under development.
- 2.03** Given that the characteristics and needs of each site are different, the new electricity generation plants will have tailored system solutions to meet respective current and future demands for the specific area. The installation of solar PV systems will partially displace the use of fossil fuel for electricity generation and contribute to climate change mitigation with the reduction of CO₂ emissions. This component supports an innovative solution to satisfy a concrete need in the three areas, financing the first utility-scale solar PV and BESS investment project in Guyana. With the development of solar PV power plants, this component will contribute to the diversification of the energy matrix in the country towards a cleaner renewable electricity generation base.

Component 2. Operation Efficiency, System and Capacity Building

- 2.04** This component will finance upgrades and digital modernization, via energy management applications, in the isolated Essequibo and Linden electrical systems. This will promote real-time monitoring and control while also improving reliability, efficiency, and stability

of the systems. The support includes: (i) the installation of automated monitoring and control systems; (ii) remote control systems for substations; (iii) a Disaster Risk Management Plan for flood-prone sites; and (iv) training and apprenticeship programs with a gender and inclusion focus.

- 2.05** In addition, this component will support the development of Energy Management Systems on the isolated systems of the Essequibo and Linden power grids as well as support GPL's overall system digitalization. The support includes the financing of the hardware and/or cloud services (i.e., servers, networking devices and field devices) and the software components alongside the necessary communications protocols, which will be integrated into the power plant's final designs. The main aim of the automated monitoring and control system for the PV power plants is to transmit data in a reliable, secure, and efficient manner. Automation, therefore, is an essential element that improves and optimizes performance and overall lifetime of the PV system.
- 2.06** Monitoring and control systems must consider the system design parameters as well as site conditions (i.e., humidity, heat generation, etc.). Each system will be tailored to exactly fit a particular site, so that the PV power plants will be able to generate electricity that meets required parameters for the efficient distribution of power across existing electrical distribution networks.
- 2.07** Additionally, sites prone to climate change risks will be targeted for further analysis following principles established under the Bank's risk methodology. The methodology will guide the identification and prioritization of specific adaptation measures to manage identified climate risks and make the solar PV infrastructure climate resilient, including the development of a Disaster Risk Management Plan. This Plan will provide recommendations for the operation and maintenance of installed infrastructure and will guide the supervision of the specific risk-reduction actions for those sites potentially exposed to flooding.
- 2.08** In addition to the above, this component will finance the following activities to promote gender equality and diversity: (i) training programs for women in solar PV, Solar Job and Workforce Development (SJWD), with paid apprenticeship opportunity; and (ii) the design and implementation of an apprenticeship program for diversity and inclusion within the PEU in GPL and other Government Energy Agencies.

Other Costs and Administrative Fees

- 2.09** This component will finance Program management costs such as Program Execution Unit (PEU) staff salaries, procurement of assets for the PEU, its administrative expenses, financial and technical audits, and a mid-term and final monitoring and evaluation of the Program.
- 2.10** The Bank will charge and retain a non-refundable administrative fee of US\$1,600,000 from Norad's contribution to assist in the defrayment of the administrative costs in relation to the Program.

III. Financing Plan

3.01 The Program consists of the following non-reimbursable investment financing:

Cost and Financing
(in US\$)

Components	Norwegian Grant to Guyana
Component 1. Solar PV Solutions in the Electricity Matrix	72,450,000
Component 2. Operation Efficiency, System and Capacity Building	5,850,000
Other costs (PEU management)	3,400,000
Total Contribution	81,700,000
IDB Administrative Fee	1,600,000
Total Norad resources contributed	83,300,000

IV. Execution and Administration

- 4.01** As stated in Section 4.01 of the Special Conditions, the Executing Agency will be Guyana Power & Light Inc. (GPL).
- 4.02** GPL will implement the Program as the sole executing agency in close coordination with Linden Electricity Company Incorporated (LECI). A specific agreement between GPL and LECI will be developed to clarify the roles of both public companies for the operation of the systems. A Program Steering Committee will be established with the participation of the Beneficiary (including GPL and LECI), Norad and the Bank to share the Program progress reporting role and get high-level advice/feedback, as well as to coordinate strategic activities required with other Beneficiary's agencies as needed.
- 4.03** As stated in Section 4.02(d) of the Special Conditions, the Procurement supervision method for the Program will be ex-ante. Specifically, in the procurement processes that include the supply and/or installation of solar panels, the Bank's Standard Bidding Documents will include mitigation measures. Specific criteria will be defined on a case-by-case basis, considering market conditions and industry standards.
- 4.04** The recurrent expenses required to put the Program into operation shall follow the procedures established in the Program Operation Manual (POM). Such procedures will be reviewed and accepted by the Bank, provided that they do not violate the principles of value for money, economy, efficiency, equality, transparency and integrity and in keeping with the Bank's policies.