

NONREIMBURSABLE FINANCING AGREEMENT

No. GRT/GF-13725-GY

between the

THE CO-OPERATIVE REPUBLIC OF GUYANA

and the

INTER-AMERICAN DEVELOPMENT BANK

**Micro and Small Enterprise (MSE) Development and
Building Alternative Livelihoods for Vulnerable Groups**

25, March, 2013

Nonreimbursable Financing Agreement

SPECIAL CONDITIONS

INTRODUCTION

Parties, Purpose, Constituent Elements, and Executing Agency

1. PARTIES AND PURPOSE OF THE AGREEMENT

AGREEMENT entered into on _____, 2013, between THE CO-OPERATIVE REPUBLIC OF GUYANA (hereinafter referred to as the "Beneficiary") and the INTER-AMERICAN DEVELOPMENT BANK (hereinafter referred to as the "Bank") to cooperate in the execution of micro and small enterprise development and building alternative livelihoods for vulnerable groups (hereinafter referred to as the "Project"). The major aspects of the Project are described in detail in the Annex.

This Agreement is entered into pursuant to the Guyana REDD+ Investment Fund (GRIF) Trust Fund approved by the Board of Executive Directors of the Bank on May 4, 2011, which allows the Bank to act as a Partner Entity of the GRIF. The GRIF was formally established on October 9, 2010 by means of an "*Administration Agreement*" between the Government of Norway and the International Development Association.

2. CONSTITUENT ELEMENTS OF THE AGREEMENT AND REFERENCE TO THE GENERAL CONDITIONS

(a) This Agreement consists of these Special Conditions, the General Conditions, and the Annex, which are attached hereto. If any provision of the Special Conditions or the Annex should present any inconsistency or contradiction with the General Conditions, the provisions of the Special Conditions or the Annex shall prevail. In case of inconsistencies or contradictions between the Special Conditions and the Annex, specific rules shall prevail over general rules.

(b) Rules for the application of disbursement clauses, as well as other conditions related to Project execution, are established in detail in the General Conditions. The General Conditions also include general definitions.

3. EXECUTING AGENCY

The parties agree that the execution of the Project and the utilization of the resources of the nonreimbursable financing from the Bank shall be carried out by the Beneficiary, through the Small Business Bureau, which for the purposes of this Agreement, shall be referred to as the "Executing Agency" or "SBB". The Beneficiary undertakes to guarantee that the Executing Agency will carry out the activities of the Project in accordance with the provisions set forth in this Agreement.

CHAPTER I

Costs, Financing and Additional Resources

SECTION 1.01 **Cost of the Project.** The total cost of the Project is estimated to be the equivalent of five million dollars of the United States of America (US\$5,000,000). Unless otherwise stated in this Agreement, the term “dollars” hereinafter signifies the currency of legal tender in the United States of America.

SECTION 1.02 **Amount of the Nonreimbursable Financing.** In accordance with this Agreement, the Bank agrees to grant to the Beneficiary, and the Beneficiary accepts, a nonreimbursable financing, hereinafter refer to as the “Contribution,” chargeable to the resources of the Guyana REDD+ Investment Fund (GRIF) Trust Fund, of up to the amount of five million dollars (US\$5,000,000).

CHAPTER II

Disbursements

SECTION 2.01 **Disbursement currency, availability of resources, and use of funds.** (a) The Contribution amount will be disbursed in dollars that are part of the Guyana REDD+ Investment Fund (GRIF) Trust Fund.

(b) The resources from the Contribution can only be used to pay for goods, works, and consultants from member countries of the Bank.

SECTION 2.02 **Special Conditions Prior to the 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:

(a) Approval by the SBB of the Project’s Operational Regulations (POR), in accordance with terms previously agreed upon with the Bank;

(b) Appointment/hiring of Key Personnel as defined in paragraph 4.03 of the Annex, in accordance to terms of reference approved upon with the Bank; and

(c) Establishment by the SBB of an Environmental and Social Management System (ESMS), which includes a screening and exclusion tool, in accordance with terms previously agreed upon with the Bank.

SECTION 2.03 **Special Conditions for Execution.** The Executing Agency must present evidence to the satisfaction of the Bank that:

(a) Partner Institutions enter into a Loan Guarantee Agreement (LGA) with the SBB, in accordance with terms previously agreed upon with the Bank, in order to be eligible to participate in the Project; and

(b) Training Institutions enter a memorandum of Understanding (MOU) with the SBB, in accordance with terms previously agreed upon with the Bank, in order to be eligible to participate in the Project.

SECTION 2.04 **Special Disbursement.** Notwithstanding Sections 2.02 and 2.03 of these Special Conditions, after this Agreement has entered into effect and the Beneficiary has complied with the conditions prior to first disbursement set forth in Article 3.01 of the General Conditions, the Bank may disburse to the Beneficiary, an amount of up to one hundred fifty thousand dollars (US\$150,000) chargeable to the Contribution in order to assist in the fulfillment of conditions prior to first disbursement established in section 2.02 above.

SECTION 2.05 **Reimbursement of Expenditures Chargeable to the Contribution.** With the consent of the Bank, up to the equivalent of one million dollars (US\$1,000,000) of the resources of the Contribution may be used to reimburse or finance expenditures incurred in the Project, especially: (i) the hiring of project managers, Small and Medium Enterprises (SME) specialists to complete the PORs, and attorneys to draft and finalize the Memorandum of Understanding and legal agreements; and (ii) the purchase of hardware and software to facilitate the project preparation work. Said expenditures shall have been incurred before February 27, 2013 but after May 25, 2012, provided that requirements substantially similar to those set forth in this Agreement have been fulfilled. It is understood that, with the consent of the Bank, the resources of the Contribution may also be used to reimburse expenditures incurred or to finance those that may be incurred in the Project on or after February 27, 2013 and up to the effective date of this Agreement, provided that the requirements set forth above have been substantially fulfilled.

SECTION 2.06 **Deadlines.** (a) The Project execution period shall be twenty four (24) months, from the effective date of this Agreement.

(b) The period for disbursement of the resources of the Contribution shall be thirty-six (36) months from the effective date of this Agreement. Any part of the Contribution which has not been utilized within this period shall be canceled.

(c) The aforementioned deadlines and any others that may be stipulated in this Agreement may be extended only when duly justified, and with the written consent of the Bank.

(d) Notwithstanding the deadline set out in Section 2.06(b) of this Agreement, any funds pertaining to the Credit Guarantee Fund, set forth in Section 2.03 of the Annex, that are not utilized during such period will remain in such fund indefinitely. The Beneficiary, through the

Executing Agency, will remain responsible for utilizing funds for the continuation of the activities as set out in Component 1 of the Project.

SECTION 2.07 Exchange Rate. For the purposes of the provisions set forth in Article 4.01(b) of the General Conditions of this Agreement, the parties agree that the applicable exchange rate shall be the average exchange rate of the respective month in which the payment indicated in subsection (ii) of said Article occurs. For this purpose, the average exchange rate to be applied will be determined on the last business day of the month in which the Beneficiary or any natural or juridical person in whom the power to incur expenditures has been vested makes the related payments to the contractor or supplier.

CHAPTER III

Execution of the Project

SECTION 3.01 Acquisition of goods and services and Selection and contracting of consulting services. The acquisition of goods and related services and the selection and contracting of consulting services will be carried out by the Executing Agency in accordance with the provisions set forth in: (i) Document GN-2349-9 ("Policies For The Procurement Of Works And Goods Financed By The Inter-American Development Bank"); (ii) Document GN 2350-9 ("Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank") dated March 2011; and (iii) the Procurement Plan referred to in Section 3.02 of these Special Conditions.

SECTION 3.02 Procurement Plan. Before starting any competitive bidding process or any request for proposals for the acquisition of goods and related services and for the contracting of consulting services, the Executing Agency shall prepare and furnish to the Bank for its approval, a Procurement Plan acceptable to the Bank setting forth the particular contracts for the acquisition of goods and contracting of consulting services required to carry out the Project, including the estimated cost of each contract, and the proposed methods for acquisition of goods and selection of consultants' services, in accordance with paragraphs 1 of Appendixes 1 of Documents GN 2349-9 and GN-2350-9. This Procurement Plan shall be reviewed by the parties every six (6) months during the execution of the Project, and each updated version shall be submitted to the Bank for approval. The Executing Agency shall implement the Procurement Plan in the manner in which it has been approved by the Bank.

SECTION 3.03 Procurement Review by the Bank. Unless the Bank agrees otherwise in writing, each contract for the acquisition of goods and for the hiring of consulting services shall be subject to an ex-ante review, in accordance with the procedures established in paragraphs 2 and 3 of Appendix 1 of Documents GN-2349-9 and GN-2350-9.

SECTION 3.04 Compilation of Data and Ex-post Evaluation. The Executing Agency shall collect and maintain available information, indicators, and parameters needed to carry out

an “ex post” evaluation of the Project results, based on a methodology, and terms to be agreed with the Bank.

CHAPTER IV

Records, Inspections, and Reports

SECTION 4.01 Records, Inspections, and Reports. (a) The Executing Agency agrees to: maintain records; permit inspections; submit reports; maintain a management, accounting and financial administration system acceptable to the Bank; and submit financial statements and financial reports to the Bank, in accordance with the provisions in this Chapter and in Chapter VII of the General Conditions.

(b) The Executing Agency shall present semi-annual progress reports to the Bank, within thirty (30) days after the end of each calendar semester, which will focus on the progress of outputs and results indicators presented in the Results Matrix, and will include the activities defined in the annual operating plans. These semi-annual progress reports must also include: (i) an analysis of the factors that may have affected implementation, including problems encountered and the measures that have been taken or are proposed to correct or mitigate these problems; (ii) the disbursement projections; and (iii) the updated procurement plans. In addition, the progress reports must include the following information regarding the Credit Guarantee Fund, set forth in Section 2.03 of the Annex: (i) the number, status, and amount of loans that have been guaranteed; (ii) the calls to the funds by defaulting loans; (iii) basic data of the beneficiaries of the fund; (iv) status of the principal and earning of the guarantee fund, including instruments and amounts earned on investments of the fund; and (v) semiannual financial reports.

SECTION 4.02 Supervision of Project Execution. (a) The Bank shall use the Project implementation plan referred to in Article 3.01(c)(i) of the General Conditions as a tool to supervise Project execution. The Project implementation plan shall be based on the Procurement Plan referred to in Section 3.02 of these Special Conditions, and shall include a complete planning of the Project, with the critical route of actions to be implemented in order to disburse the resources of the Contribution before the expiration of the disbursement period set forth in Section 2.06 of these Special Conditions.

(b) The Project implementation plan shall be updated as needed, especially upon the occurrence of a significant change that causes or may cause a delay in Project execution. The Beneficiary shall inform the Bank of any change in the Project implementation plan no later than upon presentation of the relevant semiannual Project execution report.

SECTION 4.03 Financial Statements. (a) The Beneficiary agrees to submit the following reports: within one hundred twenty (120) days following the closing of each of its fiscal years and within the disbursement period of the Contribution, the Project’s audited financial statements. The last of the Project’s financial statements, duly audited by a firm of independent public accountants acceptable to the Bank shall be submitted within one hundred twenty (120)

days from the closing of the fiscal year of the Beneficiary, corresponding to the year stipulated for the last disbursement of the Contribution.

(b) The cost related to the auditing referred to in subsection (a) of this Section 4.03, will be financed with resources of the Contribution.

CHAPTER V

Miscellaneous Provisions

SECTION 5.01 Entry into Effect. The parties agree that this Agreement shall enter into effect on the date of its signature.

SECTION 5.02 Validity. The rights and obligations established in this Agreement are valid and enforceable in accordance with its terms, regardless of the laws of any given country.

SECTION 5.03 Access to information. The Beneficiary undertakes to notify the Bank, in writing, within a maximum period of ten (10) working days from the date of signature of this Agreement, whether it considers this Agreement to contain information that may qualify as an exception to the principle of disclosure of information under the Access to Information Policy of the Bank, in which case the Beneficiary undertakes to identify the information in the relevant provisions of the Agreement. In accordance with the aforementioned policy, the Bank will make available on its "WEB" page the text of this Agreement once it has entered into effect and the aforementioned period has expired, excluding only that information which the Beneficiary has identified as an exception to the principle of disclosure of information under this policy.

SECTION 5.04 Communications. Any notice, request, or communication from one party to another by virtue of this Agreement 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 as shown below, unless the parties agree otherwise in writing:

For the Beneficiary:

Mailing address:

Ministry of Finance
49 Main & Urquhart Street
Georgetown, Guyana

Facsimile: (592) 227-3931

For the Executing Agency:

Mailing address:

Small Business Bureau
229 South Road, Lacytown
Georgetown, Guyana

Facsimile: (592) 225-4310

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

CHAPTER VI

Arbitration

SECTION 6.01 Commitment to Arbitrate. For the solution of any controversy which may arise out of 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 IX of the General Conditions.


IN WITNESS WHEREOF, the Beneficiary and the Bank, each acting through its authorized representative, have signed this Agreement, in two (2) equally authentic copies in Georgetown, Guyana on the date above written.

CO-OPERATIVE REPUBLIC OF GUYANA

INTER-AMERICAN DEVELOPMENT
BANK



Dr. Ashni Singh
Minister of Finance



Sophie Makonnen
Representative in Guyana

PART TWO

GENERAL CONDITIONS

CHAPTER I

Application of the General Conditions

ARTICLE 1.01. Application of the General Conditions. These General Conditions apply to the Nonreimbursable Financing Agreements entered into by the Inter-American Development Bank with the Beneficiaries, and accordingly the provisions hereof form an integral part of this Agreement.

CHAPTER II

Definitions

ARTICLE 2.01. Definitions. For the purposes of the obligations contracted between the parties, the following definitions are adopted:

1. "Advance of Funds" means the amount of resources advanced by the Bank to the Beneficiary, chargeable to the resources of the Contribution, to cover eligible expenditures of the Project, as provided in Article 3.06 of these General Conditions.
2. "Agreement" means the entirety of the Special Conditions, the General Conditions and the Annexes.
3. "Bank" means the Inter-American Development Bank.
4. "Bank Group" means the Bank, the Inter-American Investment Corporation and the Multilateral Investment Fund.
5. "Beneficiary" means the party to which the Financing is made available.
6. "Closing Period" means a ninety (90)-day period from the expiration date of the Disbursement Period, or any extension thereof, in order to finalize pending payments to third parties, to present the final justification of expenditures made, to reconcile the books and records, and to reimburse to the Bank the resources disbursed from the Contribution but not used and/or justified, as provided in Article 3.07 of these General Conditions.

7. "Contracting Agency" means the entity with the legal capacity to sign the Contract for the Procurement of Works and Goods and the Selection and Contracting of Consultants with the Contractor, Supplier, Consulting Firm or Individual Consultant, as the case may be.
8. "Contribution" means the funds disbursed from the Financing.
9. "Dollar" means the legal tender of the United States of America.
10. "Executing Agency/Agencies" means the entity/entities responsible for executing all or part of the Project.
11. "Financing" means the funds which the Bank has agreed to make available to the Beneficiary to assist in carrying out the Project.
12. "General Conditions" means the entirety of articles which comprise Part Two of this Agreement and reflect the basic policies of the Bank uniformly applicable to its nonreimbursable financing agreements.
13. "Parties" means the Bank and the Beneficiary and each of them, indistinctively, a Party.
14. "Project" means the Program or Project for which the Financing has been extended.
15. "Prohibited Practices" means the act(s) defined in Article 5.03 of these General Conditions.
16. "Special Conditions" means the entirety of the provisions which comprise Part One of this Contract and contain the particular terms of the operation.
17. "Semester" means the first or second six months of a calendar year.

CHAPTER III

Conditions Relating to Disbursements

ARTICLE 3.01. Conditions Precedent to First Disbursement. 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 Beneficiary, either directly or through the Executing Agency, if any, shall have designated one or more officials to represent it in all acts relating to the implementation of this Agreement 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.

(b) The Beneficiary, either directly or through the Executing Agency, if any, shall have demonstrated to the Bank that sufficient resources have been allocated to cover, at least during the first calendar year, the execution of the Project in accordance with the investment schedule referred to in the following paragraph. If the Contribution finances a continuation of the same financing operation, the earlier stage or stages of which the Bank is financing, the obligation set forth in this paragraph shall not be applicable.

(c) The Beneficiary, either directly or through the Executing Agency, as the case may be, shall have presented to the Bank an initial report prepared in the form indicated by the Bank which, in addition to such other information as the Bank may reasonably request pursuant to the provisions of this Agreement, shall set forth: (i) a plan for implementation of the Project including the plans and specifications deemed necessary by the Bank, except with respect to a program for the granting of credits; (ii) a calendar or schedule of work, as the case may be; (iii) a table of the source and use of funds setting forth a detailed schedule of investments in accordance with the categories of investment established in this Agreement and an indication of the annual contributions needed from the various sources of funds from which the Project will be financed; and (iv) the content that the progress reports referred to in Article 7.03 of these General Conditions shall have. If this Agreement permits the recognition of expenditures made prior to its entry into effect, the initial report shall include a statement of the investments and, in accordance with the objectives of the Project, a description of works carried out under the Project or a statement as to credits granted, as the case may be, up to a date immediately preceding the report.

(d) The Beneficiary or Executing Agency 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 in the Special Conditions have not been fulfilled, the Bank may terminate this Agreement by giving notice to the Beneficiary.

ARTICLE 3.03. Requisites for All Disbursements. For the Bank to make any disbursement, it shall be necessary that: (a) the Beneficiary or the Executing Agency, as the case may be, shall have submitted in writing, or by electronic means in such form and conditions as may be specified by the Bank, a disbursement request and, in support thereof, shall have supplied to the Bank such pertinent documents and other background materials as the Bank may have required; (b) the Beneficiary or the Executing Agency, as the case may be, shall have opened and maintains one or more bank accounts in a financial institution to which the Bank shall make the disbursements of the Contribution; (c) unless the Bank otherwise agrees, disbursement requests must be presented no later than thirty (30) days in advance of the date of expiration of the disbursement period or any extension thereof; and (d) none of the circumstances described in Article 5.01 of these General Conditions shall have occurred.

ARTICLE 3.04. Disbursement Procedures. The Bank may make disbursements: (a) by transferring to the Beneficiary the sums to which it is entitled under this Agreement, under the

modality of reimbursement of expenses and/or Advance of Funds; (b) by making payments on behalf of and in agreement with the Beneficiary to third parties; (c) by utilizing such other modality as the parties may agree upon in writing. Any banking expenses that may be charged by a third party in connection with disbursements shall be borne by the Beneficiary.

ARTICLE 3.05. Reimbursement of Expenditures. (a) Upon fulfillment of the requirements set forth in Articles 3.01 and 3.03 of these General Conditions and the pertinent requirements established in the Special Conditions, the Bank may disburse to reimburse the Beneficiary and/or the Executing Agency, as the case may be, for expenditures related to the execution of the Project that are eligible to be financed with resources of the Contribution, pursuant to the provisions of this Agreement.

(b) Except by express agreement between the parties, the disbursement requests for reimbursing expenditures financed by the Beneficiary and/or Executing Agency, as the case may be, in accordance with paragraph (a) above, shall be made promptly following the incurrence of such expenses, or not later than sixty (60) days following the conclusion of each Semester or within such other term as the parties may agree.

ARTICLE 3.06. Advance of Funds. (a) Provided that the requirements of Articles 3.01 and 3.03 of these General Conditions and those which may be established in the Special Conditions have been fulfilled, the Bank may disburse resources as an Advance of Funds to the Beneficiary or the Executing Agency, as the case may be, to cover eligible expenditures with resources of the Contribution, in accordance with the provisions of this Agreement.

(b) The maximum amount of each Advance of Funds shall be set by the Bank on the basis of the liquidity needs of the Project to cover periodic projected expenditures, in accordance with paragraph (a) above. At no time may the maximum amount of an Advance of Funds exceed the amount required to finance such expenditures, during a period of up to six (6) months, in accordance with the investment schedule, the cash flow required to meet such purpose, and the capacity demonstrated by the Borrower or the Executing Agency, as the case may be, to use the resources of the Contribution.

(c) The Bank may: (i) increase the maximum amount of an Advance of Funds when immediate cash flow needs that merit such increase arise, upon presentation to the Bank by the Beneficiary or the Executing Agency, as the case may be, of a request duly justified and accompanied by a statement of projected expenditures for the execution of the Project during the corresponding Advance of Funds period in effect; or (ii) make a new Advance of Funds on the basis of the provisions contained in paragraph (b) above, provided that at least eighty percent (80%) of the total amount of resources disbursed as an Advance of Funds has been justified. The Bank may take any of the above-mentioned actions, provided that the requirements of Articles 3.01 and 3.03 of these General Conditions and those which may be established in the Special Conditions have been fulfilled.

(d) The Bank may also reduce or cancel the total aggregate balance of any Advance or Advances of Funds should the Bank determine that the disbursed resources have not been used

and/or have not been justified to the Bank sufficiently and on a timely basis, in accordance with the provisions of this Agreement.

ARTICLE 3.07. Closing Period. The Beneficiary or the Executing Agency, as the case may be, shall: (a) present to the Bank's satisfaction, within the Closing Period, the supporting documentation relating to expenditures made for the execution of the Project, and any other information that the Bank may have requested; and (b) return to the Bank, at the latest on the day of expiration of the Closing Period, the balance of disbursed resources that has not been duly justified. If audit services are to be financed with resources of the Contribution, and such services will not be concluded or billed prior to the expiration of the Closing Period referred to in section (a) above, the Beneficiary or the Executing Agency, as the case may be, shall inform and reach agreement with the Bank as to the way in which payment for such services will take place, and shall return to the Bank the resources of the Contribution allotted for such purpose, should the Bank not receive the audited financial statements and/or audited financial reports within the periods stipulated in this Agreement.

CHAPTER IV

Exchange Rate, Renunciation and Cancellation

ARTICLE 4.01 Exchange Rate. (a) Disbursements: (i) the equivalence in Dollars of other convertible currencies in which the disbursements of the Contribution might be made, shall be calculated applying the exchange rate in effect in the market on the date of the disbursement; and (ii) the equivalence in Dollars of the local currency, or other non-convertible currencies, in the case of regional Projects, in which the disbursements of the Contribution might be made, shall be calculated applying, on the date of the disbursement, the exchange rate established pursuant to the understanding in force between the Bank and the respective country for the purpose of maintaining the value of its currency, or other non-convertible currencies, in the case of regional Projects, held by the Bank.

(b) Expenditures: the equivalence in the currency of the Contribution of an expenditure made in the currency of the country of the Beneficiary or the Executing Agency, as the case may be, shall be calculated using one of the following exchange rates in accordance with the provisions set forth in the Special Conditions of this Agreement: (i) the same exchange rate used in the conversion of the resources disbursed in the currency of the Contribution to the currency of the country of the Beneficiary or the Executing Agency. In this case, for purposes of reimbursement of expenditures chargeable to the Contribution and the recognition of expenditures chargeable to the local counterpart, the applicable exchange rate shall be the prevailing exchange rate on the date on which the reimbursement request is presented to the Bank; or (ii) the prevailing exchange rate in the country of the Beneficiary or the Executing Agency, as the case may be, on the actual date of the payment of the expenditure in the currency of the country of the Beneficiary or the Executing Agency.

ARTICLE 4.02. Renunciation of Part of the Contribution. The Beneficiary may renounce, by written notice to the Bank, its right to utilize any part of the Contribution which has not been

disbursed before the receipt of the notice, provided that the amounts foreseen in Article 5.04 of these General Conditions are not involved.

ARTICLE 4.03 **Automatic Cancellation of Part of the Contribution.** Unless the Bank and the Beneficiary expressly agree in writing to extend the term of the disbursement period, that portion of the Contribution not committed or disbursed, as the case may be, at the expiration of said period or extensions thereof, shall automatically be canceled.

CHAPTER V

Suspension of Disbursements, Accelerated Maturity and other Dispositions

ARTICLE 5.01. **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) Nonfulfillment by the Beneficiary of any obligation set forth in this Agreement or in any other agreement entered into with the Bank for the financing of the Project.

(b) Withdrawal or suspension from membership in the Bank of the country in which the Project is to be executed.

(c) A lag, delay, or failure by the International Development Association, as trustee of the Guyana REDD-Plus Investment Fund, in complying with the obligations set forth in the Transfer Agreement for the transfer of the resources of the Contribution to the Bank.

(d) The Project or the purposes of the Contribution may be affected by: (i) any restriction, modification or alteration of the legal capacity, functions or assets of the Beneficiary or the Executing Agency; or (ii) any modification or change made without the written concurrence of the Bank of the basic conditions fulfilled before the approval of the Resolution authorizing the Contribution or the signature of the Agreement. In such cases, the Bank will have the right to require the Beneficiary and the Executing Agency to provide reasoned and detailed information. Only after hearing the Beneficiary or the Executing Agency and weighing the information or clarification received, or if the Beneficiary and the Executing Agency fail to respond, may the Bank suspend disbursements if it considers that the modifications made affect the Project substantially and unfavorably or make its execution impossible.

(e) When the Beneficiary is not a member country, any extraordinary circumstance which, in the opinion of the Bank, makes it unlikely that the Beneficiary will be able to comply with the obligations established in this Agreement or to fulfill the purposes for which it was entered into.

(f) If it is determined, in accordance with the sanctions procedures of the Bank, that an employee, agent, or representative of the Beneficiary, Executing Agency or Contracting Agency, has engaged in a Prohibited Practice during the procurement process or during the execution of a contract.

ARTICLE 5.02. Termination, Accelerated Maturity or Partial Cancellation of Undisbursed Balances.

(a) The Bank may terminate this Agreement with respect to the part of the Contribution not yet disbursed if: (i) any of the circumstances set forth in paragraphs (a), (b), (c), and (d) of the preceding article continues for more than sixty (60) days; or (ii) the information referred to in paragraph (e) of the preceding article, or the clarifications or additional information presented by the Beneficiary or the Executing Agency, if any, are not satisfactory to the Bank.

(b) The Bank may cancel the undisbursed portion of the Contribution earmarked for a contract, when it is determined in accordance with the sanctions procedures of the Bank, that a firm, entity or individual bidding for or participating in an activity financed by the Bank, including, *inter alia*, applicants, bidders, suppliers, contractors, consulting firms and individual consultants, personnel, subcontractors, sub-consultants, service providers or suppliers, concessionaires, the Beneficiary, the Executing Agency or the Contracting Agency (including their respective officers, employees and agents, irrespective of whether the agency is express or implied) has engaged in a Prohibited Practice at any stage of the procurement or implementation of a contract; and that there is evidence that the Beneficiary, the Executing Agency or the Contracting Agency has not taken adequate remedial measures (including, *inter alia*, providing adequate notice to the Bank upon learning of the Prohibited Practice) within a period of time the Bank considers reasonable.

(c) The Bank may also cancel the undisbursed portion of the Contribution pertaining to the procurement of certain goods, works or related services, or consulting services, if it determines at any time that the procurement was carried out without following the procedures set forth in this Agreement.

ARTICLE 5.03. Prohibited Practices. (a) For the purposes of this Agreement, a "Prohibited Practice" shall be understood to include the following acts: (i) a "corrupt practice", is the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party; (ii) a "fraudulent practice", is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation; (iii) a "coercive practice", is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party; (iv) a "collusive practice", is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party; and (v) an "obstructive practice", is (A) deliberately destroying, falsifying, altering or concealing evidence material to the investigation or making false statements to investigators in order to materially impede a Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (B) acts intended to materially impede the exercise of the Bank's inspection and audit rights provided for under Article 7.01(c), 7.02(e) and 7.04(g) of these General Conditions.

(b) In addition to the provisions established in Articles 5.01(g) and 5.02(b) of these General Conditions, if it is determined in accordance with the sanctions procedures of the Bank, that a firm, entity or individual bidding for or participating in an activity financed by the Bank, including, *inter alia*, applicants, bidders, suppliers, contractors, consulting firms and individual consultants,

personnel, subcontractors, sub-consultants, service providers, concessionaires, the Beneficiary, the Executing Agency or the Contracting Agency (including their respective officers, employees and agents, irrespective of whether their authority has been formally or implicitly granted) has engaged in a Prohibited Practice at any stage during the procurement process or during the execution of a contract, the Bank may:

- (i) not finance any proposal to award a contract for works, goods, and related services or for consultant services;
- (ii) determine that a contract will not be eligible for Bank financing whenever there is evidence that the Beneficiary, the Executing Agency or the Contracting Agency has not taken adequate remedial measures (including, *inter alia*, 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) issue the firm, entity or individual a reprimand in the form of a formal letter of censure for its behavior;
- (iv) declare that a firm, entity or individual is ineligible, either permanently or for a stated period of time, to (A) be awarded or participate in contracts under activities financed by the Bank; and (B) be a nominated sub-consultant, sub-contractor, supplier or service provider of an otherwise eligible firm being awarded a Bank-financed contract;
- (v) refer the matter to appropriate law enforcement authorities; and/or
- (vi) impose other sanctions that it deems to be appropriate under the circumstances, including the imposition of fines representing reimbursement to the Bank for costs associated with investigations and proceedings. Such other sanctions may be imposed in addition to or in lieu of other sanctions set forth in Article 5.01(g), Article 5.02(b) and Article 5.03(b)(i) to (v).

(c) The provisions of Article 5.01(g) and Article 5.03(b)(i) will also be applicable in cases where firms, entities or individuals have been declared temporarily ineligible for the awarding of additional contracts pending the final outcome of a sanction proceeding, or other resolution.

(d) The imposition of any action to be taken by the Bank pursuant to the provisions referred to above will be made public.

(e) Any firm, entity or individual bidding for or participating in an activity financed by the Bank, including, *inter alia*, applicants, bidders, suppliers, contractors, consulting firms and individual consultants, personnel, subcontractors, sub-consultants, service providers, concessionaires, the Beneficiary, the Executing Agency or the Contracting Agency (including their respective officers, employees and agents, (irrespective of whether the agency is express or implied)

may be subject to sanctions pursuant to agreements the Bank may have with other international financial institutions regarding the mutual enforcement of debarment decisions. For purposes of this paragraph (e) the term "sanction" shall mean any permanent 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.

(f) When a Beneficiary procures works, goods or related services directly from a specialized agency or hires a specialized agency to provide consulting services using resources of the Financing, 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, suppliers, contractors, consulting firms or individual consultants, personnel, sub-contractors, sub-consultants, service providers, concessionaires (including their respective officers, employees and agents, irrespective of whether the agency is express or implied), or to any other entities that have signed contracts with such specialized agency to supply works, goods and related services, in connection with the Bank-financed activities. The Bank reserves the right to require the Beneficiary to invoke remedies such as suspension or termination. The Beneficiary agrees that contracts 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. 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, the Bank will not finance the related expenditures and will apply other remedies as appropriate.

ARTICLE 5.04. Obligations not Affected. Notwithstanding the provisions of the foregoing Articles 5.01 and 5.02, none of the measures set forth in this Chapter shall affect the disbursement by the Bank of: (a) any amounts subject to the guarantee of an irrevocable letter of credit; and (b) any amounts which the Bank by specific written agreement with the Beneficiary or the Executing Agency, or the Contracting Agency, if any, has agreed to provide from the resources of the Contribution to make payments to a contractor, or to a supplier of goods and related services or consultant services. The exceptions set forth in subparagraph (b) shall not apply if the Bank determines that Prohibited Practices occurred with respect to the procurement of, or the negotiation or execution of the contract for, the works, goods and related services, or consultant services.

ARTICLE 5.05. Non-waiver of Rights. Any delay by the Bank in the exercise of its rights pursuant to this Agreement, or failure to exercise them, shall not be construed as a waiver by the Bank of any such rights nor as acquiescence in events or circumstances which, had they occurred, would have empowered it to exercise them.

ARTICLE 5.06. Provisions not Affected. The application of any of the measures provided for by this Chapter shall not affect the obligations of the Beneficiary established in this Agreement, which shall remain in full force and effect.

CHAPTER VI

Execution of the Project

ARTICLE 6.01. General Provisions for Execution of the Project. (a) The Beneficiary agrees that the Project shall be executed with due diligence in conformity with sound financial and technical practices, and in accordance with the plans, specifications, investment schedule, budgets, regulations, and other documents approved by the Bank. The Borrower further agrees that its obligations shall be fulfilled to the satisfaction of the Bank.

(b) Any important modification in the plans, specifications, investment schedule, budgets, regulations or other documents which the Bank has approved, as well as any substantial change in the contract or contracts for goods or services which may be funded with the resources devoted to the execution of the Project, or in the categories of investment, shall require the written consent of the Bank.

ARTICLE 6.02. Prices and Public Tender. Contracts for execution of works, procurement of goods, and rendering of services for the Project shall be undertaken at a reasonable cost which shall generally be the lowest market price, taking into account quality, efficiency, and any other pertinent factors.

ARTICLE 6.03. Use of Goods. Except with the express authorization of the Bank, the goods acquired with the resources of the Contribution shall be used exclusively for the purposes of the Project. Once the Project has been completed, the construction machinery and equipment utilized in the execution of the Project may be used for other purposes.

ARTICLE 6.04. Additional Resources. (a) The Beneficiary shall contribute in a timely manner all of the resources in addition to those of the Contribution which may be necessary for the complete and uninterrupted execution of the Project, the estimated amount of which is specified in the Special Conditions. If during the process of disbursement an increase in the estimated cost of the Project takes place, the Bank may require the modification of the investment schedule referred to in Article 3.01(c) of these General Conditions such that the Beneficiary shall meet such increase.

(b) Beginning with the calendar year following the initiation of the Project and during the period of its execution, the Beneficiary shall demonstrate to the Bank within the first sixty (60) days of each calendar year that it will have available when needed the resources necessary to make the local contribution to the Project during that year.

ARTICLE 6.05. Other contractual obligations of consultants. (a) In addition to the special requirements included in Article 7.01(c), Article 7.02(e) and Article 7.04(g) of these General Conditions, of the Special Conditions, in the Annex or Annexes and in the respective terms of reference, the Beneficiary or the Executing Agency, as the case may be, agrees that contracts signed with consultants shall also specify the consultants' obligations to:

- (i) provide any clarifications or additional information that the Beneficiary, Executing Agency or the Bank consider necessary with respect to the consultants' reports required under the terms of reference set forth in their respective contracts;
- (ii) provide the Beneficiary or the Executing Agency and the Bank with any additional information they may reasonably request concerning the performance of their work;
- (iii) in the case of international consultants, perform their work in an integrated manner with the local professional staff assigned or contracted by the Beneficiary or the Executing Agency to participate in the execution of the Project, with a view to carrying out technical and operational training of such staff by the conclusion of the work;
- (iv) assign copyrights, patents and any other form of industrial property right to the Bank in cases where such rights result from the work and documents carried out or produced by the consultants under the consulting contracts financed with resources of the Project; and

(b) notwithstanding paragraph (a)(iv) above, in order to obtain a timely dissemination of the results of the Project, the Bank authorizes the Beneficiary, or the Executing Agency, to make use of the products resulting from the consulting services financed with the resources of the Project, with the understanding that the Beneficiary or the Executing Agency shall utilize such consulting products under the terms set forth in Article 8.02 of these General Conditions.

CHAPTER VII

Financial Information and Internal Control Systems, Inspections, Reports and External Audits

ARTICLE 7.01. Financial Information and Internal Control Systems. (a) The Beneficiary or the Executing Agency, or the Contracting Agency, as the case may be, shall maintain: (i) a financial information system acceptable to the Bank that enables accounting, budgetary and financial record-keeping, as well as the issuance of financial statements and other reports related to the resources of the Contribution and other financial sources, as the case may be; and (ii) an internal control structure that enables effective Project management; provides reliability regarding the financial information and the physical, magnetic and electronic records and files; and enables the fulfillment of the provisions of this Agreement.

(b) The Beneficiary or the Executing Agency, or the Contracting Agency, as the case may be, shall preserve the original records of the Project for a minimum period of three (3) years after the expiration date of the disbursement period or any extension thereof, in such a way as to: (i) make possible the identification of the sums received from the different sources; (ii) show, in accordance

with the financial information system approved by the Bank, the investments in the Project, financed both with the resources of the Contribution and with the other funds to be provided for its complete execution; (iii) include sufficient detail to show the works performed, goods procured and services contracted, as well as the utilization of such works, goods and services; (iv) provide evidence as to conformity in the acceptance, authorization and payments for the purchased or contracted works, goods and services; (v) maintain documentation relating to the bidding process and the execution of the contracts financed by the Bank and other financial sources, including, but not limited to, bid requests, bid packages, summaries, bid evaluations, contracts, correspondence, work product and drafts, invoices, certificates and acceptance reports, and receipts, including documents relating to the payment of commissions, and payments to agents, consultants and contractors; and (vi) show the cost of the investments in each category and the physical and financial progress of the works, goods and services.

(c) The Beneficiary agrees that all bidding documents, requests for proposals and contracts financed with a Bank contribution that are entered into by the Beneficiary, the Executing Agency or the Contracting Agency shall include a provision that requires that providers of goods or services, suppliers and subcontractors, consultants and their agents, personnel or concessionaires, keep all documents and records related to Bank-financed activities for a period of seven (7) years after completion of the work contemplated in the relevant contract.

ARTICLE 7.02. Inspections. (a) The Bank may establish such inspection procedures as it deems necessary to ensure the satisfactory development of the Project.

(b) The Beneficiary, the Executing Agency and the Contracting Agency, if any, shall permit the Bank to inspect at any time the Project and the equipment and materials involved therein, and to examine such records and documents as the Bank may deem pertinent. The personnel which the Bank shall send or designate as investigators, agents, auditors or experts for this purpose shall receive the complete cooperation of the respective authorities. All the costs relating to transportation, salaries, and other expenses of such personnel shall be borne by the Bank.

(c) The Beneficiary, the Executing Agency or the Contracting Agency, as the case may be, shall, upon request of an authorized representative of the Bank, provide to the Bank any documents, including procurement-related documents that the Bank might reasonably request. In addition, the Beneficiary, the Executing Agency and the Contracting Agency shall make their personnel available, upon reasonable notice, to respond to questions from Bank personnel, which arise during the review or audit of such documents. The Beneficiary, the Executing Agency or the Contracting Agency, as the case may be, shall produce the documents in a timely manner or shall submit an affidavit to the Bank setting forth the reasons why the requested material is unavailable or is being withheld.

(d) If the Beneficiary, the Executing Agency or Contracting Agency, as the case may be, refuses to comply with the Bank's request, or otherwise obstructs the Bank's review of the matter, the Bank, in its sole discretion, may take appropriate action against the Beneficiary, Executing Agency or Contracting Agency, as the case may be.

(e) The Beneficiary agrees that all bidding documents, requests for proposals and contracts financed by the Bank that are entered into by the Beneficiary, the Executing Agency or the Contracting Agency shall include a provision that requires applicants, bidders, suppliers and their agents, contractors, consultants, personnel, sub-contractors, sub-consultants, service providers and concessionaires to: (i) allow the Bank to inspect any and all accounts, records and other documents relating to the submission of bids and contract performance as well as to have them audited by auditors appointed by the Bank; (ii) provide full assistance to the Bank in the case of an investigation; and (iii) deliver to the Bank any document deemed necessary for the investigation of allegations of Prohibited Practices and ensure that those employees or agents who are responsible for Bank-financed activities will be available to respond to inquiries within the context of an investigation, be it from Bank personnel or from any investigator, agent, auditor or consultant duly assigned to the investigation. If any applicant, bidder, supplier or its agent, contractor, consulting firm or individual consultant, personnel, subcontractor, sub-consultant, service provider, or concessionaire refuses to cooperate or fails to comply with the Bank's request or otherwise obstructs an investigation carried out by the Bank, the Bank, in its sole discretion, may take appropriate action against said applicant, bidder, supplier and its agent, contractor, consultant, personnel, subcontractors, sub-consultants, service provider, or concessionaire.

ARTICLE 7.03. Reports. The Beneficiary or the Executing Agency, as appropriate, shall present to the Bank's satisfaction the reports on the execution of the Project, within sixty (60) days following the end of each Semester, or within such other period as the parties may agree, prepared in accordance with the relevant rules agreed to with the Bank; and such other reports as the Bank may reasonably request regarding the use of goods acquired with the Contribution, and the progress of the Project.

ARTICLE 7.04. External Audit. (a) The Beneficiary shall present to the Bank, directly or through the Executing Agency, within the deadlines, for the period of duration, and with the frequency provided in the Special Conditions of this Agreement, the financial statements and other reports, and any additional financial information that the Bank may request, in accordance with accounting principles and standards acceptable to the Bank.

(b) The Beneficiary agrees to have the financial statements and other reports, as indicated in the Special Conditions of this Contract, audited by independent auditors acceptable to the Bank, in accordance with auditing principles and standards acceptable to the Bank, and to present to the Bank's satisfaction such information as may be requested by the Bank related to the independent auditors whose services have been engaged.

(c) The Beneficiary shall select and hire directly or through the Executing Agency, as the case may be, the independent auditing services that are necessary for the timely submission of the financial statements and other reports indicated in paragraph (b) above, no later than four (4) months before the closing of each fiscal year of the Beneficiary, beginning on the date on which this Agreement enters into effect, or such other time as may be agreed upon between the parties, in accordance with procedures and terms of reference previously agreed upon with the Bank. The Beneficiary or the Executing Agency, as the case may be, shall authorize the external auditors to

provide the Bank with any additional information it may reasonably request with respect to the audited financial statements and/or audited financial reports.

(d) In cases in which the audit is to be performed by an official auditing agency and such agency is unable to perform the audit in accordance with requirements satisfactory to the Bank or within the deadlines, for the period of duration or with the frequency mentioned 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 section (c) above.

(e) Notwithstanding the provisions above, the Bank may, on an exceptional basis and subject to prior agreement between the parties, select and hire the services of independent auditors to prepare the financial statements of the Project and other audited reports as provided in this Contract when: (i) the benefits of the selection and hiring of such services by the Bank outweigh the costs of doing so; (ii) there is limited access to auditing services within the country; or (iii) special circumstances warrant the selecting and hiring of such services by the Bank.

(f) The Bank shall have the right to request the Beneficiary or the Executing Agency, as the case may be, to have other types of independent audits and/or 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, selection procedures and terms of reference shall be agreed upon between the parties.

(g) All bidding documents, requests for proposals and contracts financed by the Bank that are entered into by the Beneficiary, the Executing Agency or the Contracting Agency with a provider of goods or services, contractor, subcontractor, consultant, sub-consultant, personnel or concessionaire shall include a provision allowing the Bank to inspect any and all accounts, records and other documents related to the submission of bids and contract performance as well as to have them audited by auditors appointed by the Bank.

CHAPTER VIII

Tax Exemptions and other Provisions

ARTICLE 8.01. Tax exemption. The Borrower undertakes to pay any tax, fee, or duty applicable to the signing, negotiation, and execution of this Contract.

ARTICLE 8.02. Publication of Documents. Any document issued under the Bank's name or logotype, which is intended for publication, as part of a special project, joint program, research initiatives or any other activity financed with the resources of the Project, shall be previously approved by the Bank.

ARTICLE 8.03. Supervision in the Field. Without prejudice to the supervision of the Project activities performed by the Beneficiary or the Executing Agency, as the case may be, the Bank may supervise the Project in the field.

ARTICLE 8.04. Limitation of the Bank's Obligation. It is understood that the granting of the Contribution by the Bank does not constitute any obligation whatsoever on its behalf to totally or partially finance any project or program that may directly or indirectly result from the execution of the Project.

CHAPTER IX

Arbitration Procedure

ARTICLE 9.01. 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 called the "Referee", by direct agreement between the parties or through their respective arbitrators. If the parties or the arbitrators fail to agree on who the Referee shall be, or if one of the parties should not designate an arbitrator, the Referee 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 Referee. If either of the appointed arbitrators or the Referee is unwilling or unable to act or to continue to act, his successor shall be appointed in the same manner as for the original appointment. The successor shall have the same functions and faculties as his predecessor.

(b) If the controversy affects not only the Beneficiary but also the Guarantor, if any, both shall be considered a single party and consequently shall act jointly in the designation of the arbitrator and for the other purposes of the arbitration proceedings.

ARTICLE 9.02. Initiation of the Procedure. In order to submit the controversy to arbitration, the claimant shall address to the other party a written communication setting forth the nature of the claim, the satisfaction or compensation which it seeks, and the name of the arbitrator it appoints. The party receiving such communication shall, within forty-five (45) days, notify the adverse party of the name of the person it appoints as arbitrator. If, within thirty (30) days after delivery of such notification to the claimant, the parties have not agreed upon the person who is to act as Referee, either party may request the Secretary General of the Organization of American States to make the appointment.

ARTICLE 9.03. 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 Referee, and, once convened, shall meet on the dates which the Tribunal itself shall establish.

ARTICLE 9.04. Procedure. (a) The Tribunal shall be competent to hear only the matters in controversy. It shall adopt its own procedures and may on its own initiative designate whatever experts it considers necessary. In any case, it shall give the parties the opportunity to make oral presentations.

(b) The Tribunal shall proceed ex aequo et bono, basing itself on the terms of this Contract, and shall issue an award even if either party should fail to appear or present its case.

(c) The award shall be in writing and shall be adopted with the concurrent vote of at least two members of the Tribunal. It shall be handed down within approximately sixty (60) days from the date on which the Referee 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 communication signed by at least two 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 9.05. Costs. The fees of each arbitrator shall be paid by the party which appointed him and the fees of the Referee shall be paid by both parties in equal proportion. Prior to the convening of the Tribunal, the parties shall agree on the remuneration of the other persons who, by mutual agreement, they deem should take part in the arbitration proceedings. If such agreement is not reached in a timely manner, the Tribunal itself shall determine the compensation which may be reasonable for such persons under the circumstances. Each party shall defray its own expenses in the arbitration proceedings, but the expenses of the Tribunal shall be borne equally by the parties. 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 9.06. Notification. All notifications relative to the arbitration or to the award shall be made in the manner provided in this Contract. The parties waive any other form of notification.

ANNEX

The Project

Micro and Small Enterprise (MSE) Development and Building Alternative Livelihoods for Vulnerable Groups.

I. Objective

- 1.01** The objective of the Project is to support the government's strategy to reduce carbon emissions by re-orienting the economy onto a low carbon path, through the creation of the necessary incentives for the beneficiaries to invest in the Low Carbon Sectors ("LCS"). Specifically, the Project will contribute to the reduction of economic activity in Carbon Emitting Sectors ("CES") by facilitating the creation of employment via MSE in the identified sectors of the Low Carbon Development Strategy ("LCDS"), through the enhancement of their access to finance and business development training.
- 1.02** The target beneficiaries of the proposed Project are MSE and vulnerable groups¹ that meet the criteria established for small businesses in the Small Business Act (SBA)² and operate in the LCS identified in the LCDS (hereinafter referred to as the "Beneficiaries").

II. Description

- 2.01** To achieve the objective described in the previous section, the Project will finance the following components:

Component 1. Access to finance

- 2.02** The first component seeks to mitigate the structural problems faced by the beneficiaries in the LCS, with regards to their limitations on access to credit. Resources from this component will be used to finance the implementation of three sub-components: (a) a Credit Guarantee Fund; (b) an Interest Payment Support Facility; and (c) a Low Carbon Grant Scheme to assist potential beneficiaries with seed capital to start up or expand their businesses.

¹ Vulnerable groups include individuals and groups without access to credit and or appropriate business and technical training who have been affected by the restructuring of the sectors, such as mining, forestry, sugar and bauxite and/or those wishing to participate in one of the identified low carbon sectors.

² Small businesses are defined in the Small Business Act (SBA) in Part 1 Sections 1 and 2. However since the SBA offers no distinction as to micros, for the purposes of this Project, micros and small business shall be construed to be defined as small business per the SBA.

Component 1(a). Credit Guarantee Fund (CGF)

- 2.03 Under this sub-component, resources of the Project will be used to provide part of the collateral requirements of lending institutions in order to reduce the perceived risk of the beneficiaries and increase their likelihood to be approved for financing. Eligible lending institutions will sign a Loan Guarantee Agreement (“LGA”) with the Small Business Bureau (“SBB”) in order to become participating institutions of the Project, as Partner Financial Institutions (“PFI”). Through this mechanism, resources of this sub-component will be used to guarantee up to 40% of the PFI’s collateral requirements per loan but in no case should the maximum guarantee value per loan exceed \$12,000,000 Guyanese dollars (approx. US\$60,000). The percentage of the collateral will be determined so that the PFI retains enough risk to ensure that it distinguishes between good and bad loans and that it carries out adequate monitoring functions once the loan is provided. Similarly, Beneficiaries of the Project are expected to take on enough risk to ensure that the incentive to pay back the loan is not lost.

Component 1(b). Interest Payment Support Facility (IPSF)

- 2.04 This sub-component will provide resources to eligible PFIs which will then transfer these onto the Beneficiaries in the form of a reduction on the interest cost of their loans (estimated on some 300 to 500 basis points). Beneficiaries under the CGF can also be eligible, and a higher interest rate reduction will be granted to the identified priority LCS loans. The PFI will make a preliminary assessment on the eligibility of Beneficiaries, with the subsequent approval by the SBB. Loans will then be made to the Beneficiaries with the subsidized interest rates and the PFI will request re-imbusement from the SBB on a periodic basis to be agreed between the parties. Re-imburements for the IPSF will be done from the Project account.

Component 1(c). Low Carbon Grant Scheme.

- 2.05 This sub-component seeks to facilitate MSE access to financing through grants to be used in LCS. Access can be facilitated in a number of ways, such as to assist a low carbon business owner to expand his/her business with a partial grant towards a loan request, thereby reducing the amount needed for the loan, or to encourage persons to set up a business in a LCS with an initial grant which may make them eligible for a loan in the future. Resources of up to \$300,000 Guyanese dollars (approx. US\$1,500) per applicant will finance the implementation of Beneficiaries’ business proposals. Grants will be provided to those who are already operating a business and require additional financing to further develop LCS-related activities, and to individuals or groups starting new ventures in the LCS, who have completed business plans but are unable to secure financing from any lending institution because of their high perceived risk as borrowers. Grants can be used for equipment upgrade, technological innovations, and compliance with various laws and regulations for operating in Guyana, including standards compliance, research and development, and marketing, among others.

Component 2. Access to business development training

- 2.06 The objective of this component is to contribute to the improvement of the insufficient technical and business skills of the Beneficiaries. The training curriculum will be developed via assessment of clients of Component I, with the objective of infusing sound business principles, as well as technical knowledge necessary to improve participants' likelihood of success.
- 2.07 The aforementioned will be addressed through a multi-faceted intervention: (i) a skills voucher scheme, developed with approved training institutions of the Project for delivery of training to the target group; and (ii) technical/'hands on' training at the community and sector levels, delivered to beneficiaries by specialists of the training institutions. Training will be in both technical and business support areas. At the technical level, training will include areas such as safe and sustainable farming and use and maintenance of energy efficient technologies for productive purposes. At the business support level, training will be offered in areas such as financial statement preparation, accounting, marketing, and business plan preparation, among others. Beneficiaries will be targeted by a collaborative exercise between the SBB and the PFI.

III. Total Cost of the Project

- 3.01 The estimated cost of the Project is five million dollars (US\$5,000,000), in accordance with the following budget:

**Budget
(in US\$)**

Components	Year 1	Year 2	Total
	GRIF Funds (US\$000)	GRIF Funds (US\$000)	
Component 1: Access to Finance	1,810.00	940.00	2,750.00
1.(a) Collateral-Credit Guarantee Facility Fund	1,575.00	-	1,575.00
1.(b) Interest Payment Facility	135.00	540.00	675.00
1.(c) LCS Grant Scheme	100.00	400.00	500.00
Component 2: Access to Business Development Training	763.50	710.00	1,473.50
Project Administration and Institutional Support to SBB	421.25	355.25	776.50
3.1. Institutional Strengthening of SBB and SBC	191.00	198.00	389.00
3.2. M&E Systems and Public Awareness Campaign	122.75	49.75	172.50
3.3. Audit	7.50	7.50	15.00
3.4. Contingency	100.00	100.00	200.00
TOTAL	2,994.75	2,005.25	5,000.00

IV. Project Execution and Implementation Arrangements

- 4.01.** The SBB, created in 2004, is the Executing Agency of the Project. The Ministry of Tourism, Industry and Commerce (MINTIC), through the SBC, will provide oversight of Project execution. This oversight entails approval of work plans, review of progress reports and approval of the Project Operational Regulations and changes therein. The Small Business Council reports on progress of the project to the Minister of MINTIC.
- 4.02** The responsibilities of the SBB include, among others, the following: (i) preparing Annual Operating Plans (AOP) for the activities under the Project; (ii) acquisition of goods and services in accordance with the approved Procurement Plan, the Bank's procurement policies and procedures (documents GN-2349-9 and GN-2350-9), and the Operational Regulations ("OR"); (iii) making disbursements and payments in accordance with approved payment schedules and Bank's applicable policies and procedures; (iv) maintaining books, records, documents, and other evidence in accordance with the accounting procedures set forth by the Bank, to sufficiently substantiate the use of the GRIF funds transferred to it, the financial administration of Project resources will include the establishment of a Project Financial Accounting System based on the Project code of accounts described in the OR; (v) preparing semi-annual progress reports on the implementation of activities, results achieved, and the financial status of the activities under its responsibility. In addition, the SBB will: (i) prepare all other required reports and submit them to the Bank; and (ii) contract services for the annual external audits of the Project and its final evaluation.
- 4.03** To perform its duties, the SBB will hire additional staff and will be responsible for ensuring that monitoring activities are undertaken. Specifically, the SBB will be responsible for the hiring of the following Key Personnel: (i) a CGF manager; (ii) a procurement officer; and (iii) a finance officer. Due to the additional responsibilities placed on SBB staff in Project implementation, they will receive monetary and non-monetary incentives based on Project work completed outside their normal responsibilities. This will be based on Bank and Ministry of Tourism, Industry and Commerce's agreed payment criteria for acceptance of deliverables and in accordance with Guyana's Country Financing Parameters (document CP-2402-8). Non-monetary incentives include staff capacity building and equipment as part of the Project's allocated budget for the administration and institutional strengthening of the SBB.
- 4.04** **Credit Guarantee Fund (CGF).** The CGF will be made operational by means of an advance of funds at the time the program becomes eligible for disbursement. The advance will be in an amount equivalent to 100% of the resources assigned to this sub-component. This disbursement modality, which will be made into a sub account of the Project, is necessary to operationalize this sub-component, whose funds will serve as collateral for the loans granted by the PFI to beneficiaries. This sub-account will later be used to make payments to the claimant PFI. The Bank will implement additional fiduciary monitoring and safeguards requirements for this account. These funds will be managed and reported on by the SBB and the interest earned will be re-invested for further leveraging of the resources.

4.05 Interest Payment Support Facility (IPSF). Each PFI will submit a list of potential beneficiaries for the activities to be financed under this sub-component, in accordance with the criteria applicable to each loan applications and in consultation with the SBB on the environmental safeguards and low carbon criteria, for ensuing approval by the SBB on a first-come first-served basis. Based on approved loans made to the beneficiaries, participating PFI will receive a reimbursement from the SBB on a periodic basis to be agreed between the parties. Reimbursements will be done from the Project account, which will be maintained and reported on by the SBB. Further details on the procedures to access to resources from this sub-component will be laid out in the Project Operational Regulations.

4.06 Low Carbon Grant Scheme (LCGS). The LCGS will be administered by the SBB who will assist applicants on the preparation of their business proposals. Potential beneficiaries will have to submit an application for a low carbon grant for their business ventures, which will include four main criteria for selection: (i) details on the type of business or activity that the grant will be funding; (ii) justification on the low carbon nature of the business proposal; (iii) details on preliminary approval for credit, if any, from a financial institution; and (iv) details on the ability and willingness of the applicant to provide co-financing for the business proposal. A committee will meet regularly for selection of beneficiaries of the LCGS. The committee will be composed, at least, by a representative of a financial institution, a representative of the SBB, a representative of the Project Management Office (government office for the GRIF), among others. A small portion of the grant fund will be used to assist applicants to the CGF and the IPSF on meeting the requirements of the SBA with regards to registration, and getting compliances if necessary. The procedures to access the grant element will be laid out in the Project Operational Regulations.

