

**NON-REIMBURSABLE INVESTMENT FINANCING AGREEMENT**

**No. GRT/TC-15205-RG**

between the

**CARIBBEAN DEVELOPMENT BANK**

and the

**INTER-AMERICAN DEVELOPMENT BANK**  
Acting as the Implementing Entity of the Clean Technology Fund

Sustainable Energy Facility for the Eastern Caribbean

October 20, 2015

# NON-REIMBURSABLE INVESTMENT FINANCING AGREEMENT

## SPECIAL CONDITIONS

This non-reimbursable investment financing agreement, hereinafter the “Contract,” is entered into between the CARIBBEAN DEVELOPMENT BANK, hereinafter referred to as the “Beneficiary” or “CDB” and the INTER-AMERICAN DEVELOPMENT BANK, acting as implementing entity of the Clean Technology Fund (CTF), hereinafter referred to as the “Bank” and together with the Beneficiary, as the “Parties”, on October 20, 2015.

This Contract is entered into pursuant to the Financial Procedures Agreement signed between the Bank and the International Bank for Reconstruction and Development (IBRD), on June 8, 2010, as trustee of the CTF Trust Fund.

### CHAPTER I

#### Purpose and Constituent Elements of the Contract

**SECTION 1.01. Purpose of the Contract.** The purpose of this Contract is to establish the terms and conditions under which the Bank grants a non-reimbursable investment financing to the Beneficiary to contribute to the financing and execution of the Sustainable Energy Facility for the Eastern Caribbean program (“the Program”), the main aspects of which are set forth in the Annex.

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

**SECTION 1.03. Special Definitions.** In addition to the terms defined in the General Conditions, whenever the following terms are capitalized in this Contract, they shall have the meaning assigned to them below. Any reference to the singular includes the plural and vice versa.

(a) “CTF” means the Clean Technology Fund, which is one of the two multi-donor funds that comprise the Climate Investment Funds, that support low carbon technologies and climate change projects, and for which the Bank is an implementing entity and the IBRD is the trustee.

(b) “Eligible CDB Member Country” or “Eligible CDB Member Countries” means individually or collectively, as the case may be, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

(c) “Eligible Final Beneficiary” means (i) the government of an Eligible CDB Member Country; (ii) a public utility in an Eligible CDB Member Country; or (iii) a Special Purpose Vehicle (SPV) legally established in an Eligible CDB Member Country under a PPP, which meets the eligibility criteria for the Program, as established in the OM, and receives a Sub-

grant from the Beneficiary to finance certain activities contemplated by the Program, in accordance with the terms and conditions set forth in this Contract and the OM.

(d) “Eligible Sub-borrower” or “Sub-borrower” means (i) the government of an Eligible CDB Member Country; (ii) a public utility in an Eligible CDB Member Country; or (iii) an SPV legally established in an Eligible CDB Member Country under a PPP, which meet the eligibility criteria for the Program, as established in the OM, and receive a Sub-loan from the Beneficiary to finance certain activities contemplated by the Program, in accordance with the terms and conditions set forth in the Loan Agreement and the OM.

(e) “GEF Agreement” means the non-reimbursable investment financing agreement No. GRT/FM-15208-RG, entered into between the Bank and CDB on the date hereof.

(f) “Loan Agreement” means the Loan Contract No. 3561/OC-RG entered into between the Bank and CDB on the date hereof.

(g) “OM” or “Operating Manual” means the operating manual of the Program, as amended from time to time, which contains, among other things, the provisions related to the execution of the Program, the participation of the Beneficiary and Eligible Final Beneficiaries, the eligibility criteria and procedures for the use of the resources of the Program, criteria for the selection of Sub-projects and eligibility of each financial instrument and its terms.

(h) “PPP” means public private partnership.

(i) “Sub-grant” means a sub-grant granted by the Beneficiary to an Eligible Final Beneficiary to finance certain activities contemplated by the Program, in accordance with the terms and conditions set forth in this Contract and the OM.

(j) “Sub-loan” means a sub-loan made by CDB to an Eligible Sub-borrower to finance certain activities contemplated in the Program, in accordance with the terms and conditions set forth in the Loan Agreement and the OM.

(k) “Sub-project” means the activity contemplated and considered eligible by the Program, financed by the resources of the Contribution and executed by an Eligible Final Beneficiary in accordance with the terms and conditions set forth in this Contract and the OM.

## **CHAPTER II**

### **The Contribution**

**SECTION 2.01. Amount and Approval Currency of the Contribution.** In accordance with this Contract, the Bank agrees to grant to the Beneficiary, and the Beneficiary accepts, a non-reimbursable investment financing of up to the amount of nineteen million and fifty thousand Dollars (US\$19,050,000), hereinafter the “Contribution”, chargeable to the resources of the CTF.

**SECTION 2.02. Disbursement Requests and Disbursement Currency.** The amount of the Contribution will be disbursed in Dollars, in accordance with the provisions of the Financial Procedures Agreement signed between the Bank and the IBRD on June 8, 2010 (as amended), as set out in the OM, and in accordance with the provisions of Chapter III of the General Conditions.

**SECTION 2.03. Disbursement Period.** The Original Disbursement Period will be eight (8) years from the effective date of this Contract. The Original Disbursement Period may be extended with the prior written consent of the Bank.

### **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 OM, including the Sub-loan and Sub-grant model agreements, has been approved, in accordance with the terms and conditions agreed between the Beneficiary and the Bank.
- (ii) The GEF Agreement has been duly signed between CDB and the Bank, and has entered into effect.
- (iii) The Loan Agreement has been duly signed between CDB and the Bank, and has entered into effect.

**SECTION 3.02. Utilization of the Resources of the Contribution.** (a) The resources of the Contribution shall be used to grant non-reimbursable financing to Eligible Final Beneficiaries to finance expenses arising from Sub-projects that are (i) carried out in accordance with the provisions of this Contract and the OM; (ii) adequately recorded and documented; and (iii) incurred after October 13, 2015 and before the expiration of the Original Disbursement Period or any extensions thereof.

(b) The resources of the Contribution may be used for the financing of the following, as detailed in Annex of this Contract and the OM: (i) a grant convertible to a loan to finance expenses associated with geothermal exploration activities to be carried out by the Eligible Final Beneficiaries or (ii) as guarantees to the Sub-loans provided to the Eligible Final Beneficiaries to mitigate the financial risk of Eligible Sub-borrowers that received Sub-loans associated with the geothermal exploration activities.

(c) The resources of the Contribution that have not been committed after eight (8) years as of the signing of this Agreement shall be returned to the Bank. For purposes of this paragraph, the resources of the Contribution will be considered committed according to the terms and conditions set forth in the OM.

**SECTION 3.03. Applicable Exchange Rate for Expenditures.** 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 on the date the Beneficiary, 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 Eligible Final Beneficiary.

#### **CHAPTER IV** **Execution of the Program**

**SECTION 4.01. Additional Resources.** For purposes of Article 4.02 of the General Conditions, the amount of the Additional Resources is estimated to be the equivalent of fifty two million, four hundred and forty eight thousand, six hundred and ninety eight Dollars (US\$52,448,698) as described in the Annex, which may include the equivalent of:

- (i) twenty nine million, four hundred and thirty five thousand Dollars (US\$29,435,000) provided by the Beneficiary with its own resources or resources received by the Beneficiary from other sources of financing and twenty million Dollars (US\$20,000,000), provided under the Loan Agreement; and
- (ii) three million, thirteen thousand, six hundred and ninety eight Dollars (US\$3,013,698), provided under the GEF Agreement.

**SECTION 4.02. Executing Agency.** The Beneficiary shall be the Executing Agency of the Program.

**SECTION 4.03. Conditions concerning Procurement.** The procurement of goods, works and services with resources of the Contribution will be carried out in accordance with applicable policies and procedures of the Beneficiary; provided, however, that unrestricted participation of firms and individuals from member countries of the Bank is permitted. Consequently, no conditions shall be established in such procurement procedures or specific requirements that would prevent or restrict the offer of goods, works or services or the participation of contractors from such countries.

**SECTION 4.04. Other Documents Governing Program Execution.** The Parties agree the Program execution shall be governed by the provisions of this Contract and those established in the OM. If any provision of this Contract should present any inconsistency or contradiction with the OM, the relevant provision of this Contract shall prevail. The Parties agree it shall be necessary to obtain the Bank's written consent prior to making any change to the OM.

**SECTION 4.05. Other Execution-related Special Obligations.** The Beneficiary shall submit to the Bank evidence that the Program manager and the technical specialist, whose functions and responsibilities will be defined in the OM, have been assigned to the Program.

**CHAPTER V**  
**Supervision and Evaluation of the Program**

**SECTION 5.01. Supervision of Program Execution.** For purposes of Article 5.02 of the General Conditions, the documents that, as of the date of signature of this Contract, have been identified as necessary to supervise progress in the execution of the Program are semi-annual progress reports, which will be prepared by the Beneficiary in accordance with the OM and submitted to the Bank within sixty (60) days of the end of each calendar semester during Program execution.

**SECTION 5.02. Supervision of the Financial Management of the Program.** (a) For purposes of Article 5.03 of the General Conditions, the Beneficiary agrees to prepare and submit to the Bank, during Program execution:

- (i) semi-annual unaudited financial statements of the Beneficiary, which include financial status reports on Sub-grants, within sixty (60) days of the end of each calendar semester;
- (ii) annual audited financial statements of the Beneficiary, within one hundred and eighty (180) days of the closing of each fiscal year;
- (iii) annual assurance reports on the process of preparation and submission of disbursement requests under the Program, within one hundred and eighty (180) days of the closing of each fiscal year of the Beneficiary. The assurance review shall be performed by independent auditors who have been previously accepted by the Bank; and
- (iv) a final assurance report on the process of preparation and submission of disbursement requests under the Program, within one hundred and eighty (180) days of the closing of the fiscal year of the Beneficiary following the last disbursement date of the Program.

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

**SECTION 5.03. Evaluation of Results.** In order to determine the degree of compliance with the Program's objective and its results, the Beneficiary shall provide the Bank with the following reports in accordance with the OM:

- (i) a report of the mid-term evaluation of the Program, which will be presented to the Bank after four (4) years from the first disbursement of the Contribution; and
- (ii) a report of the final evaluation of the Program, which will be presented to the Bank within six (6) months after disbursement of one hundred percent (100%) of the Program resources.

**CHAPTER VI**  
**Miscellaneous Provisions**

**SECTION 6.01.**     **Entry into Effect of the Contract.** This Contract shall enter into effect on the signature date.

**SECTION 6.02.**     **Communications and Notices.** (a) Any notice, request, communication, or report from one Party to another by virtue of this Contract 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:

Caribbean Development Bank

Wildey  
St. Michael  
Barbados, W.I.  
BB11103

Facsimile: (246) 426-7269

Email address: [mkenzp@caribank.org](mailto:mkenzp@caribank.org)

For the Bank:

Mailing address:

Inter-American Development Bank  
Country Office in Barbados

Hythe', Welches  
Maxwell Main Road  
Christ Church  
Barbados  
BB17068

Facsimile: (246) 429-4032

Email address: [idbbarbados@iadb.org](mailto:idbbarbados@iadb.org)

(b) Any notice from one party to another by virtue of this Contract 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:

Caribbean Development Bank

Willey  
St. Michael  
Barbados, W.I.  
BB11103

Facsimile: (246) 426 7269

Email address: [mckenzp@caribank.org](mailto:mckenzp@caribank.org)

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

Email address: [idbbarbados@iadb.org](mailto:idbbarbados@iadb.org)



**SECTION 6.03. Commitment to Arbitrate.** For the resolution of any conflict arising out of or connected with this Contract 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 Contract in two (2) equally authentic copies in Miami, Florida, United States of America, on the date indicated above.

**CARIBBEAN DEVELOPMENT BANK**

**INTER-AMERICAN DEVELOPMENT  
BANK**

/s/

/s/

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W<sup>m</sup>. Warren Smith  
President

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Luis Alberto Moreno  
President

**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 non-reimbursable investment financing contracts from the Clean Technology Fund, 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 Contract, 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 Contract, or between the provisions of the Special Conditions, any annex of the Contract, 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 Contract are included solely for reference and should not be taken into account in the interpretation of this Contract.

(c) **Periods.** Unless this Contract 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 Contract, 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 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” means the party to which the Financing is made available.
6. “Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City.
7. “Closing Period” means a period of up to ninety (90) days from the expiration date of the Original Disbursement Period, or any extension thereof.
8. “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.
9. “Contract” means this non-reimbursable financing contract.
10. “Contracting Agency” means the entity with legal capacity to enter into contracts, and which, in agreement with the Beneficiary or the Executing Agency, as the case may be, assumes all or part of the responsibility for the procurement of goods or works, consulting services or non-consulting services for the Project.
11. “Contracting Entity” 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.
12. “Contribution” means the funds disbursed from the Financing.
13. “Dollar” means the legal tender of the United States of America.
14. “Eligible Expenditure” shall have the meaning assigned to it in the Special Conditions.
15. “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.”
16. “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.

17. “General Conditions” mean the entirety of articles which comprise Part Two of this Contract.
18. “Local Currency” means any currency other than the Dollar that is legal tender in the countries of Latin America and the Caribbean.
19. “Original Disbursement Period” means the original period for disbursements of the Contribution, which is set forth in the Special Conditions.
20. “Parties” shall have the meaning assigned to it in the introduction to the Special Conditions.
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 coercive practice, collusive practice, corrupt practice, fraudulent practice, and obstructive practice.
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 Contract.

**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 Contract, 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 Contract.

**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 Contract, 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 Contract 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 Contract. 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.

**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 Contract 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 Contract, 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 Contract.

#### **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 Contracting Agency, 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 Contract, 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 Contract 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 Contracting Agency, 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 Contracting Agency, 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 Contracting Agency, 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 Contract 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 Contract and any plan, specification, investment schedule, budget, regulations, or other relevant document of the Project approved by the Bank, the provisions of this Contract 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 Contracting Agency, 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, the Contracting Agency, and the specialized agency, as the case may be, of these Policies.

(b) When the Bank has validated a system or subsystem of the member country of the Bank where the Project will be executed, 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 system or subsystem, in accordance with the terms of the validation of the Bank and applicable validated legislation and processes. The terms of such validation shall be notified in writing by the Bank to the Beneficiary and the Executing Agency. Use of the country system or subsystem 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 validation, 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 validated. The use of country systems or subsystems 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 environmental and social policies of the Bank, 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, without prejudice to any other measures the Bank may exercise under this Contract.

## **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 Contracting Agency, 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 Contracting Agency, 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 Contracting Agency, 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 Contract in the event such documentation is not available, the Beneficiary or the Executing Agency, as the case may be, and the Contracting Agency, 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 Contracting Agency, 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 Contract, 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 Contract 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, Accelerated Maturity, and Partial 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 Contract or any other Contract between the Bank and the Beneficiary, including any other non-reimbursable financing Contracts.
- (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 Contract, 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) A lag, delay, or failure of the International Bank for Reconstruction and Development (IBRD), in complying with the obligations set forth in the Financial Procedures Agreement, dated as of June 8, 2010, to transfer the Clean Technology Fund resources.

- (e) 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.
- (f) 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 Contract or (ii) prevents the fulfillment of the Project's development objectives.
- (g) Whenever the Bank determines that an employee, agent, or representative of the Beneficiary, the Executing Agency, or the Contracting Agency, 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 cancel the undisbursed portion of the Contribution, if:

- (a) any of the circumstances set forth in paragraphs (a), (b), (c), and (d) of the preceding Article continues for more than sixty (60) days;
- (b) Termination of the Financial Procedures Agreement entered into between the IBRD and the Bank to transfer the Clean Technology Fund resources.
- (c) any of the circumstances set forth in paragraphs (e) and (f) 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;
- (d) 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 Entity (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 Contracting Agency, 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

- (e) 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 Contract. In this case, the cancellation or early termination will apply to the portion of the Contribution used for such procurement or contracting.

**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 Contract, 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 Contracting Agency, 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(g) 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 Entity (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 Contract 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 Entity, 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; and
- (v) 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(g) and Article 7.01(a)(i) shall also apply in cases in which the Contracting Agency 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 Entity (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 Contract 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 Encumbrances and 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 Contract 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 Contract.

## **CHAPTER IX** **Miscellaneous Provisions**

**ARTICLE 9.01. Modifications and Contractual Waivers.** Any modification or waiver of the provisions of this Contract 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 Contract 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) The Contract and all obligations arising from it shall be deemed terminated upon the expiration of the Closing Period, with the exception of those referred to in paragraph (b) of this Article.

(b) The obligations acquired by the Beneficiary under this Contract 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 9.04. Validity.** The rights and obligations established in this Contract are valid and enforceable in accordance with the terms agreed upon herein, regardless of the laws of any given country.

**ARTICLE 9.05. Disclosure of Information.** The Bank may disclose this Contract 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 Contract, 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 Contract. The parties waive any other form of notification.

## ANNEX

### THE PROGRAM

#### **Sustainable Energy Facility for the Eastern Caribbean (Clean Technology Fund)**

#### **I. Objective**

- 1.01** The objective of the Program is to contribute to the diversification of the energy matrix in Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines (“the Eastern Caribbean Countries” or “ECC”) in an effort to reduce the cost of power generation and electricity tariffs by promoting the implementation of Energy Efficiency and Renewable Energy technologies to reduce the region’s dependency on liquid fossil fuels.

#### **II. Description**

- 2.01** To achieve the objective indicated in paragraph 1.01 above, the Bank will provide a Global Credit Loan to the Caribbean Development Bank (CDB), which will be complemented with resources from other donors to finance eligible sub-loans and sub-grants (investment and technical assistance) in eligible ECC. The Program comprises the following components:

##### **Component 1. Energy Efficiency (EE)**

- 2.02** Resources from this component will be used for the financing of sub-loans and grants to eligible ECC governments to promote EE measures such as: (i) retrofitting government buildings; (ii) installing new or replacing existing streetlights with more efficient ones; and (iii) increasing power generation efficiency, including transmission and distribution loss reduction programs.

##### **Component 2. Regulatory framework, institutional strengthening and capacity building**

- 2.03** Resources from this component will be used for the financing of non-reimbursable technical assistance to CDB, and to the eligible ECC, including their ministries responsible for energy and electric utilities. Support to CDB will focus on strengthening its capacity as required to implement the Program, including: (i) consulting services to provide specific skills and advisory services as and when required for sub-project preparation; (ii) drafting of legal documents (i.e. loan contracts for Geothermal (GE) sub-loans); and (iii) further developing staff capacity to evaluate and execute sub-loans. Support to the eligible ECC will include: (i) supporting an effective legal, policy and regulatory framework for the implementation of Sustainable Energy (SE) projects; (ii)

strengthening their technical, institutional, environmental and regulatory capacity; (iii) transaction advisory support to structure projects and negotiate with private partners; and (iv) providing opportunities for training to acquire the necessary skills to enable SE development and execute SE projects.

### **Component 3. Renewable Energy (RE)**

- 2.04** Resources from this component will be used for the financing of both governments of eligible ECC and Special Purpose Vehicles (SPVs) legally established in an eligible ECC under a Public Private Partnership (PPP) under the following Sub-components: Sub-component 1: Intermittent RE: includes the financing of projects such as wind power and solar Photovoltaics; Sub-component 2: includes the financing of projects such as GE, hydro and waste to energy projects. Since the risk levels involved in GE projects are inherent to each of the development stages, the Program will offer financial instruments tailored for each stage to enable projects to advance to subsequent stages until plant construction. Funds for GE projects will be made available through a CDB facility called the GeoSmart Facility to address the specific challenges that GE development faces given its risk profile. Under this Sub-component, the GeoSmart Facility will provide a range of financial support to public sector actors and/or PPPs, customized for each stage of geothermal development to support development of GE projects in each of the eligible ECC with geothermal potential. The activities to be financed are: (i) pre-investment activities, for which a mix of grants and/or loans are best suited to unlock investments, and which will include: (a) surface studies (geology, geophysics and geochemistry – 3Gs) and environmental and social impact assessment, and studies on the feasibility of power interconnections between neighboring islands; and (b) drilling of early exploration wells (slim holes); (ii) exploration activities for which risk mitigation instruments such as contingent recovery grants are essential, and which will include: exploration drilling program (full size wells); and (iii) field and power plant development activities for which loans will be provided for: (a) production drilling (production and reinjection wells); (b) engineering and construction of power plants; and (c) access roads, substations and transmission lines.

### **III. Financing Plan**

- 3.01** The cost of the Program is estimated at seventy one million, four hundred and ninety eight thousand, six hundred and ninety eight Dollars (US\$71,498,698) of which:
- (i) nineteen million and fifty thousand Dollars (US\$19,050,000) will be financed by the Clean Technology Fund (CTF);
  - (ii) twenty million Dollars (US\$20,000,000) by the Bank's ordinary capital (OC) resources;
  - (iii) three million, thirteen thousand, six hundred and ninety eight Dollars (US\$3,013,698) by the Global Environment Facility Trust Fund (GEF Fund); and

(iv) twenty nine million, four hundred and thirty five thousand Dollars (US\$29,435,000) by CDB, as local counterpart resources.

**Cost and Financing**  
**(US\$)**

Component		Financing				Total
		IDB (OC loan)	CTF	GEF	CDB	
Component 1: Energy Efficiency		-		341,574	8,000,000	8,341,574
Component 2: Reg. framework, inst. strengthening and capacity building		-		2,117,042	11,200,000	13,317,043
Component 3: Intermittent RE and GE		20,000,000	19,050,000	341,574	10,000,000	49,391,574
Monitoring and evaluation	Assurance Reports on the Process of Preparation and Submission of Disbursement Requests	-	-		195,000	195,000
	Ex-post Cost benefit Analysis	-	-	-	40,000	40,000
Project Management and Evaluation				213,508		213,508
<b>Total</b>		20,000,000	19,050,000	3,013,698	29,435,000	71,498,698

**IV. Execution and Administration**

**4.01** CDB will be the Beneficiary and the Executing Agency of the Program and will work in close collaboration with the Bank and other donors. Individual sub-projects will be implemented by the eligible ECC government agencies in case of public sector projects and by SPVs legally established in an eligible ECC under a PPP, in accordance with the criteria set forth in the Operating Manual (OM) for the Program.

**V. Use of resources of the CTF Contribution**

**5.01** With respect to the use of the resources of the CTF Contribution, the eligible ECC are: Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

**5.02** As referred to in Section 3.02 of the Special Conditions, the resources from the CTF Contribution may be used (i) as guarantees to the Sub-loans provided by CDB to the Eligible Final Beneficiaries for GE exploratory drilling. In these cases, if the drilling is deemed unsuccessful, the resources of the Contribution will be used to repay the Sub-loans; and (ii) as a contingent recovery financing to the Eligible Final Beneficiaries to finance expenses associated with GE exploratory drilling. In these cases, the non-reimbursable financing provided to the Eligible Final Beneficiaries may be converted into a loan if the exploratory drilling is deemed successful. The OM will specify the terms and conditions that shall apply to these two modalities.