

**GUARANTEE AND COUNTER-GUARANTEE
CONTRACT No. 1731/SF-GY**

between the

CO-OPERATIVE REPUBLIC OF GUYANA

and the

INTER-AMERICAN DEVELOPMENT BANK

Georgetown Solid Waste Management Program

February 22, 2007

GUARANTEE AND COUNTER-GUARANTEE CONTRACT

SPECIAL CONDITIONS

INTRODUCTION

Parties, Purpose, Constituent Elements, and Executing Agency

1. PARTIES AND PURPOSE OF THE CONTRACT.

CONTRACT entered into on February 22, 2007, between the CO-OPERATIVE REPUBLIC OF GUYANA (hereinafter referred to as the "Beneficiary") and the INTER-AMERICAN DEVELOPMENT BANK (hereinafter referred to as the "Guarantor") to provide a credit enhancement and cooperate in the execution of a project (hereinafter referred to as the "Project") comprised of the Georgetown Solid Waste Management Program. The major aspects of the Project are described in detail in the Loan Contract 1730/SF-GY of even date.

The objective of this Contract is to guarantee the payment obligations of the Co-operative Republic of Guyana (GOG) arising from non-payment of the Minimum Payment Obligation or Early Termination by the Municipality of Georgetown, as established in the construction and operation contract (hereinafter referred to as the "CO Contract") to be entered into between the Georgetown Municipality (hereinafter referred to as "GM") on behalf of the Co-Operative Republic of Guyana and the private Contractor/Operator of the landfill facility referred to in the Loan Contract (hereinafter referred to as "CO Operator"), selected in accordance with the terms provided in said Loan Contract.

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

(a) This Contract consists of these Special Conditions and the General Conditions, which are attached hereto. If any provision of the Special Conditions should present any inconsistency or contradiction with the General Conditions, the provisions of the Special Conditions shall prevail.

(b) Rules for the application of amortization, interest, credit fee, inspection and supervision and 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. BENEFICIARY

The parties agree that the execution of this Contract and the utilization of the resources of the guarantee provide herein shall be carried out by the Ministry of Finance of the Co-

operative Republic of Guyana, in support of certain obligations established under the CO Contract. For the purposes of this Contract, the Ministry of Finance shall be referred to as the "Beneficiary."

CHAPTER I

Costs, Guarantee and Additional Resources

SECTION 1.01. Cost of the Project. The total cost of the Project is estimated to be the equivalent of eighteen million and seventy thousand dollars of the United States of America (US\$18,070,000). Unless otherwise stated in this Contract, the term "dollars" hereinafter signifies the currency of legal tender in the United States of America.

SECTION 1.02. Amount of the Guarantee. In accordance with this Contract, the Bank agrees to grant to the Beneficiary, and the Beneficiary accepts, a partial risk guarantee, hereinafter referred to as the "Guarantee", chargeable to the resources of the Fund for Special Operations of the Bank, for up to the equivalent of two million and five hundred thousand dollars of the United States of America (US\$2,500,000) or the equivalent thereof in other currencies forming part of such resources. The amounts disbursed from the Guarantee shall be subject to the terms and conditions of this Contract and shall constitute the "Guarantee."

SECTION 1.03. Currency and Use of Funds. The amount of the Guarantee shall be disbursed in dollars or its equivalent thereof in other currencies of the Fund for Special Operations, except that of the Cooperative Republic of Guyana, to pay for the Guaranteed Obligations as described herein under.

SECTION 1.04. Purpose of the Guarantee. (a) The resources disbursed under this partial risk guarantee contract shall only be used in support of payment obligations arising from non payment of the Minimum Payment Obligation and the early termination of the CO Contract by the Georgetown Municipality, on behalf of the Cooperative Republic of Guyana.

SECTION 1.05. Guarantee Fee. (a) The Beneficiary shall pay on the undisbursed balance of the Guarantee a Guarantee fee of 0.25 of 1% per annum, which shall begin to accrue six months after the signature of this Contract.

- (b) This fee shall be paid in advance, in semi-annual installments, in United States of America dollars. The first payment shall be made the 22nd of August of 2007 and the following on the 22nd of February and August of each year.
- (c) This fee shall cease to accrue in full or in part, as the case may be, to the extent that: (i) the respective disbursements have been made; or (ii) the Guarantee has been canceled totally or partially pursuant to the relevant provisions of this Contract.
- (d) Non Payment or a delay in payment of the Guarantee fee is a cause for the bank to suspend further disbursements under this Contract.

SECTION 1.06. Disbursements under the Guarantee. The Bank shall make disbursements under this Guarantee Contract in the following manner:

- (a) In accordance with the CO Contract, the MSWMD shall make payments to the CO Operator of the Minimum Payment Obligation under the CO Contract, on behalf of the Beneficiary, in a special purpose designated account to be held in trust at an Agent Bank (herein after referred to as Special Trust Accounts”), on certain dates as specified under the CO Contract (herein after referred to as Payment Dates”).
- (b) In accordance with the CO Contract, the MSWMD shall also make payments to the CO Operator under the CO Contract, on behalf of the Beneficiary, upon early termination, by the MSWMD, in the amounts specified under said CO Contract, as determined by mutual agreement between or as otherwise determined by the corresponding authority, in accordance with the relevant provisions under the CO Contract. Such payments are to be made in the special purpose designated account to be held in trust at an Agent Bank (herein after referred to as Special Trust Accounts”), as specified under the CO Contract (hereinafter referred to as “Payment Dates”).
- (c) If payment is not received by the Beneficiary in the corresponding Trust accounts, on the payment dates, the Beneficiary, acting through the corresponding Trustee, shall deliver a notice to the Bank requesting a disbursement from the Guarantee facility (herein after the Disbursement Notice). Such notice shall indicate: (i) the amounts that the Beneficiary did not pay; (ii) the amounts of the outstanding payments which shall be disbursed from the Guarantee facility in accordance with this Guarantee Contract. This amount can not exceed US\$250,000 per year; and, (iii) the necessary instructions for the Bank to be able to make the corresponding payments to the trust Accounts.
- (d) The Bank shall make disbursements of the Guarantee directly into the Trust Account designated to receive such payment, in accordance with the instructions received in the Disbursement notice, within 10 working days from the date of such Notice.
- (e) The Trustee shall confirm to the Bank in writing receipt of the payments received. On that same date, the Beneficiary of the Guarantee shall issue to the benefit of the Bank a Promissory note evidencing the amounts from the disbursement as a long term long with a tenor equal to the remaining validity of the Guarantee Contract.
- (f) Any amounts disbursed by the Bank from the Guarantee facility in accordance with this Contract shall be deducted from the total outstanding amount of the facility. The Beneficiary will accept such disbursements from the Guarantee facility as a term debt, repayable to the bank in accordance with this Contract, unless otherwise reinstated as provided in the following Section.

- (g) The Bank may reinstate the Guarantee facility to its original amount, if the Beneficiary pre pays the Promissory notes within 30 working days from the time in which such Promissory note was issued.

Chapter II

Disbursements of the Guarantee

SECTION 2.01. Currency and Use of Funds. The amount of the Guarantee shall be disbursed in dollars or its equivalent thereof in other currencies of the Fund for Special Operations, except that of the Co-operative Republic of Guyana, for such other purposes as are indicated in this Contract.

SECTION 2.02. Special Conditions Prior to First Disbursement of the Financing. In addition to the conditions precedent stipulated in Article 4.01 of the General Conditions, the first disbursement of the Guarantee shall be subject to the fulfillment, to the satisfaction of the Bank, of the following requirements:

- (a) The Project Executing Unit has been implemented in the MSWMD and its following staff duly selected: manager, an engineer, a procurement officer and an accountant;
- (b) Subsidiary Agreement is signed by all parties and all its Annexes have become effective;
- (c) Loan Contract between the Bank and the GOG has been signed, for the Georgetown Solid Waste Management Program.
- (d) The CO Contract has been signed, between the MSWMD and the CO Operator.
- (e) The Trust Agreement has been signed, between the GOG, the CO Operator and the Trustee, to receive and manage payments of the Georgetown Solid Waste Management Program.
- (f) Evidence of the Disbursement Notice issued by the Trustee, in accordance with the relevant provision of this Contract.
- (g) In case of termination payments, evidence of the occurrence of such termination.

SECTION 2.03. Other conditions for disbursement of the Guarantee. Disbursements under the Guarantee shall also be subject to the prompt payment of the guarantee fee, as well as to the validity of the CO Contract and Trust Agreement. Any amendment of the CO Contract of the Trust Agreement shall be consented to by the Bank.

SECTION 2.04. Disbursement Period. Disbursement of the Guarantee shall be made within a period of eleven (11) years from the effective date of this Contract.

CHAPTER III

Counter Guarantee

SECTION 3.01. Objective of the Counter Guarantee. The purpose of the counter-guarantee is to assure repayment to the Bank of the amounts disbursed under the Guarantee, plus interest thereof. This Chapter outlines the relevant provisions regarding reimbursements by the Beneficiary of the amounts disbursed by the bank under the Guarantee.

SECTION 3.02. Conversion of the Guarantee into a Loan. Upon disbursement of any amount under the Guarantee, the disbursed amounts shall automatically convert into a term loan (counter-guarantee) by the Bank to the Co-operative Republic of Guyana, as Borrower. Such loan shall be payable in accordance with the terms described herein and shall not have a grace period.

SECTION 3.03. Amortization. The Loan shall be completely repaid by the Borrower by means of semiannual, consecutive, and, insofar as possible, equal installments during a period equivalent to the remaining validity period of the Guarantee. The Loan shall be completely repaid by the Borrower by means of two semiannual, consecutive, and, insofar as possible, equal installments. The first installment shall be paid on the 22nd of August of 2017, and the last installment, no later than the 22nd of February of 2018.

SECTION 3.04. Interest. The Borrower shall pay interest semiannually on the outstanding daily balance of the Loan at the rate of 1% per annum until the 22nd of February of 2017, and 2% per annum thereafter, which shall accrue from the date of each respective disbursement. The first payment shall be made six months after the date of the corresponding disbursement and the following on the 22nd of February and August of each year.

SECTION 3.05. Prepayment. The Borrower may pay the corresponding Loan in advance, without penalties, within a 30 day period from the date of each disbursement and with a five day prior notice to the Bank. In this cases, the amounts of such prepayments shall be reinstated into the Guarantee facility. The Borrower may also conduct other forms of prepayments without penalties, as provided in the General Conditions, in which other cases the amounts prepaid will not be restated into the Guarantee facility.

SECTION 3.06. Resources for General Inspection and Supervision and Credit Fee. There will no charge from the amount of the Financing converted into term loans, for General Inspection and Supervision or Credit Fee.

CHAPTER IV

Miscellaneous Provisions

SECTION 4.01. Entry into Effect. The parties agree that this Contract shall enter into effect on the date of its signature.

SECTION 4.02. Termination. Payment in full of the Loan and of all interest and fees shall terminate this Contract and all obligations arising thereunder.

SECTION 4.03 Validity. The rights and obligations established in this Contract are valid and enforceable in accordance with its terms, regardless of the laws of any given country.

SECTION 4.04. Communications. Any notice, request, or communication from one party to another by virtue of this Contract 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, unless the parties agree otherwise in writing:

For the Borrower:

Mailing address:

Ministry of Finance
Main & Urquhart Streets, Kingston,
Georgetown , Guyana

Facsimile: (592) 226-1284

For matters related to execution of the Project

Mailing address:

Ministry of Local Government and Regional Development
Fort Street, Kingston,
Georgetown, Guyana

Facsimile: (592) 226-5070

Mailing address:

Mayor & City Council,
Project Execution Unit, MSWMD
Princess Street,
Georgetown, Guyana

Facsimile: (592) 223-5127

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

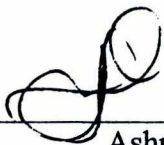
CHAPTER V

Arbitration

SECTION 5.01. Commitment to Arbitrate. For the solution of any controversy which may arise out of 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 IX of the General Conditions.

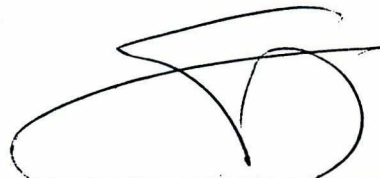
IN WITNESS WHEREOF, the Borrower and the Bank, each acting through its authorized representative, have signed this Contract, in two (2) equally authentic copies in Georgetown, Guyana, on the date above written.

CO-OPERATIVE REPUBLIC
OF GUYANA



Ashni Singh
Minister of Finance

INTER-AMERICAN
DEVELOPMENT BANK



Sergio Varas-Olea
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 Loan Contracts entered into by the Inter-American Development Bank with its Borrowers, and accordingly the provisions hereof form an integral part of this Contract.

CHAPTER II

Definitions

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

- (a) "Bank" means the Inter-American Development Bank.
- (b) "Board" means the Board of Executive Directors of the Bank.
- (c) "Borrower" means the party to which the Financing is made available.
- (d) "Contract" means the entirety of the Special Conditions, the General Conditions and the Annexes.
- (e) "Executing Agency/ Agencies" means the entity/entities responsible for executing all or part of the Project.
- (f) "Financing" means the funds which the Bank has agreed to make available to the Borrower to assist in carrying out the Project.
- (g) "General Conditions" means the entirety of articles which comprise Part Two of this Contract and reflect the basic policies of the Bank uniformly applicable to its Loan Contracts.
- (h) "Guarantor" means the party which guarantees the fulfillment of the obligations contracted by the Borrower and which assumes other obligations for which it is liable in accordance with the Guarantee Contract.

- (i) "Loan" means the funds disbursed from the Financing.
- (j) "Project" means the Program or Project for which the Financing has been extended.
- (k) "Revolving Fund" means a fund that the Bank may establish as provided in Article 4.07 of these General Conditions, for the purpose of advancing resources to defray Project expenses chargeable to the Financing.
- (l) "Semester" means the first or second six months of a calendar year.
- (m) "Special Conditions" means the entirety of the provisions which comprise Part One of this Contract and contain the particular terms of the operation.

CHAPTER III

Amortization, Interest and Credit Fee

ARTICLE 3.01. Dates of Amortization. The Borrower shall amortize the Loan in semi-annual installments on the same dates as those designated in the Special Conditions for payment of interest. The date for the first principal amortization installment shall coincide with the date on which the next immediate interest payment is due, once six months from the scheduled date of the last disbursement have elapsed.

ARTICLE 3.02. Credit Fee. (a) The Borrower shall pay on the undisbursed balance of the Financing which is not in the currency of the Borrower's country a credit fee of 1/2 of 1% per annum, which shall begin to accrue twelve (12) months after the date of the Resolution of the Board of Executive Directors approving the Financing.

(b) This fee shall be paid in United States of America dollars on the same dates as those specified for the payment of interest pursuant to the provisions of the Special Conditions.

(c) This fee shall cease to accrue in full or in part, as the case may be, to the extent that:
(i) the respective disbursements have been made; or (ii) the Financing has been canceled totally or partially pursuant to Articles 3.12, 3.13 and 4.02 of these General Conditions and the relevant provisions of the Special Conditions.

ARTICLE 3.03. Computation of Interest and Credit Fee. The interest and credit fee shall be calculated according to the exact number of days in the respective Semester.

ARTICLE 3.04. Obligations Relating to Currencies. (a) Amounts which are disbursed shall be applied, on the date of each respective disbursement, against the Financing in accordance with the equivalency in United States of America dollars as reasonably determined by the Bank, pursuant to the provisions of Article 3.05.

(b) The Borrower shall owe, in the respective currencies disbursed, from the date of the corresponding disbursement:

- (i) The amounts disbursed in any of the currencies which form part of the Fund for Special Operations, in respect of which the Bank has indicated that they may be considered freely convertible; and
- (ii) Amounts equivalent in United States of America dollars to the sums disbursed in currencies not included in the preceding subparagraph (i) which form part of the Fund for Special Operations.

(c) On the due dates, the Borrower shall pay, in the respective currencies disbursed, amortization and interest on:

- (i) The amounts disbursed in the currencies referred to in subparagraph (b)(i) above; and
- (ii) Amounts equivalent in United States of America dollars to the sums disbursed in the currencies referred to in subparagraph (b)(ii) above.

ARTICLE 3.05. Rate of Exchange. (a) For the purposes set forth in paragraph (a) and (b)(i) of the preceding Article, the equivalency of other currencies in relation to the United States of America dollar shall be calculated by applying, on the date on which the disbursement is made, the foreign exchange market rate in effect on that date. For the purposes set forth in paragraphs (a) and (b)(ii) of the preceding Article, the equivalency of other currencies in relation to the United States of America dollar shall be calculated by applying, on the date on which the disbursement is made, the exchange rate agreed upon by the Bank with the respective issuing member country for the purpose of maintaining the value of its currency held by the Bank, in accordance with Article V, Section 3, of the Agreement Establishing the Bank.

(b) For the purposes of payments to the Bank pursuant to paragraph (c)(ii) of the preceding Article:

- (i) The equivalency of other currencies in relation to the United States of America dollar shall be calculated on the date of payment, in accordance with the rate of exchange referred to in paragraph (a) of this Article.
- (ii) Should there be no agreement in force between the Bank and the respective issuing member country with regard to the rate of exchange to be applied for the purpose of maintaining the value of its currency held by the Bank, the latter shall have the right to require that the rate of exchange to be applied shall be that which on the due date is utilized by the corresponding monetary authority of the issuing member country to sell United States of America dollars to residents of such country, other than government agencies, for the following transactions: (a) payments of

principal and interest due; (b) transfers of dividends or other income from capital investments in the respective country; and (c) transfers of investment capital.

- (iii) If, on the date on which the payment is due, the foregoing rule cannot be applied because the operations referred to do not exist, payment shall be made on the basis of the most recent rate of exchange in effect within the thirty (30) days preceding the respective due date.
- (iv) If, notwithstanding the application of the foregoing rules, the effective rate of exchange for the purpose of determining payment cannot be ascertained, or if discrepancies arise in the determination thereof, the reasonable determination of the Bank shall prevail, taking into consideration the realities of the foreign exchange market of the issuing country concerned.
- (v) If, due to non-compliance with the foregoing rules, the Bank considers that any payment made in the respective currency has been insufficient, it shall so advise the Borrower immediately in order that the latter shall pay the difference within a period no greater than thirty (30) days from the receipt of the notification. If, on the other hand, it appears that the sum received by the Bank is higher than that due, it shall return the excess amount within a period no greater than thirty (30) days from the receipt thereof.
- (vi) In case of a delayed payment the Bank may require that the rate of exchange in effect at the time of payment be applied.

(c) For the purpose of determining the equivalency in United States of America dollars of an expenditure incurred in the currency of the Borrower's country, the rate of exchange which is applicable on the date of payment of such expenditure shall be utilized, pursuant to paragraph (a) above. To that end, the date of payment of such expenditure shall mean the date on which the Borrower, the Executing Agency or any natural or juridical person in whom the power to incur expenditures has been vested makes the respective payments to the order of the contractor or supplier.

ARTICLE 3.06. Participations. (a) The Bank may cede to other public or private institutions, in the form of participations, the rights corresponding to the Borrower's pecuniary obligations under this Contract. The Bank shall promptly notify the Borrower of each assignment.

(b) Participations may be granted in respect of either of the following: (i) amounts of the Loan disbursed prior to execution of the participation agreement; or (ii) amounts of the Financing which are still undisbursed at the time of the participation agreement's execution.

ARTICLE 3.07. Place of Payments. All payments shall be made at the principal office of the Bank in Washington, District of Columbia, United States of America, unless the Bank designates another place or places for this purpose by written notification to the Borrower.

ARTICLE 3.08. Transactions Falling Due on Public Holidays. Any payment or other transaction, which pursuant to this Contract should be effected on Saturday, Sunday or a day which is a banking holiday according to the law of the place where it is required to be made, shall be considered validly effected if carried out on the first business day immediately thereafter, and in such case no penalty whatsoever shall apply.

ARTICLE 3.09. Receipts and Promissory Notes. At the request of the Bank, the Borrower shall sign and deliver to the Bank, upon the completion of disbursements, a receipt or receipts for the amounts disbursed. Likewise, the Borrower shall sign and deliver to the Bank, at its request, promissory notes or other negotiable instruments representing the Borrower's obligation to repay the Loan with the interest agreed upon in the Contract. Such documents shall be in the form prescribed by the Bank taking into account the applicable legal provisions of the country of the Borrower.

ARTICLE 3.10. Application of Payments. All payments shall be applied first to returns of unjustified advances of funds, then to fees and interest due on the payment date, and if a balance exists, to the amortization of installments of principal due.

ARTICLE 3.11. Advance Payments. Upon advance notice in writing to the Bank of at least fifteen (15) days, the Borrower may pay, on the date indicated in the notification, any part of the Loan prior to its maturity, provided that no sum is owing in respect of the credit fee and/or interest. Unless otherwise agreed in writing, each partial advance payment shall be applied to unpaid installments of principal in the inverse order of their maturity.

ARTICLE 3.12. Renunciation of Part of the Financing. The Borrower, with the concurrence of the Guarantor, if any, may renounce, by written notice to the Bank, its right to utilize any part of the Financing which has not been disbursed before the receipt of the notice, provided that such part is not subject to any of the circumstances set forth in Article 5.03 of these General Conditions.

ARTICLE 3.13. Automatic Cancellation of Part of the Financing. Unless the Bank and the Borrower and the Guarantor, if any, expressly agree in writing to extend the term for making disbursements, that portion of the Financing not committed or disbursed, as the case may be, within the corresponding term, shall automatically be canceled.

CHAPTER IV

Conditions Relating to Disbursements

ARTICLE 4.01. Conditions Precedent to First Disbursement. The first disbursement of the Financing shall be subject to 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 Borrower in this Contract, and those of the Guarantor, if any, in the Guarantee Contract, are valid and enforceable. Such opinions shall also refer to any other legal question that the Bank may reasonably deem relevant.
- (b) The Borrower, 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 Contract 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 Borrower, 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 this Financing constitutes a continuation of the same lending operation, the earlier stage or stages of which the Bank is financing, the obligation set forth in this paragraph shall not be applicable.
- (d) The Borrower, either directly or through the Executing Agency, if any, shall have presented to the Bank an initial report prepared in the form indicated by the Bank, which shall serve as the basis for the preparation and evaluation of the progress reports referred to in Article 7.03(a)(i) of these General Conditions. In addition to such other information as the Bank may reasonably request pursuant to the provisions of this Contract, the initial report shall set forth: (i) a plan for implementation of the Project including, except with respect to a program for the granting of credits, the plans and specifications deemed necessary by the Bank; (ii) a calendar or schedule of work or granting of credits, as the case may be; and (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 Annex A of this Contract and an indication of the annual contributions needed from the various sources of funds from which the Project will be financed. If this Contract permits the recognition of expenditures made prior to its signature or to that of the Resolution authorizing the Financing, the initial report shall include a statement of

the investments and, in accordance with the objectives of the Financing, 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 to the report.

- (e) The Borrower or Executing Agency shall have presented to the Bank the plan, catalog or code of accounts referred to in Article 7.01 of these General Conditions.
- (f) The official auditing agency referred to in the Special Conditions shall have agreed to perform the auditing function foreseen in Article 7.03(b) of these General Conditions and in the Special Conditions, or the Borrower or the Executing Agency shall have agreed with the Bank with respect to a firm of independent public accountants to perform the above functions.

ARTICLE 4.02. 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 4.01 of these General Conditions and in the Special Conditions have not been fulfilled, the Bank may terminate the Contract by giving notice to the Borrower.

ARTICLE 4.03. Requisites for All Disbursements. For the Bank to make any disbursement, it shall be necessary that: (a) the Borrower, or the Executing Agency, if any, shall have submitted in writing 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. Requests must be presented no later than thirty (30) calendar days in advance of the date of expiry of the term for disbursement or of any extension thereof which the Borrower and the Bank may have agreed to; (b) none of the circumstances described in Article 5.01 of these General Conditions shall have occurred; and (c) the Guarantor, if any, shall not be in non-compliance for more than one hundred twenty (120) days with any obligation to make payments to the Bank on any Loan or Guarantee.

ARTICLE 4.04. Disbursements for Technical Cooperation. If the Special Conditions contemplate the financing of expenses for technical cooperation, the disbursements therefor may be made once the conditions established in Article 4.01(a) and (b) and in Article 4.03 of these General Conditions have been fulfilled.

ARTICLE 4.05. Charges for the Inspection and Supervision Fee. The Bank shall withdraw from the resources of the Financing and allocate to the Bank's general account the amount or amounts specified in the Special Conditions for inspection and supervision. Such action shall not require a disbursement request by the Borrower or the Executing Agency and may be undertaken once the conditions precedent to the first disbursement have been fulfilled or upon the occurrence of the first payment date for the Credit Fee, whichever occurs first.

ARTICLE 4.06. Disbursement Procedures. The Bank may make disbursements against the Financing: (a) by transferring to the order of the Borrower the sums to which it is entitled under

this Contract; (b) by making payments on behalf of and in agreement with the Borrower to other banking institutions; (c) by establishing or replenishing the Revolving Fund referred to in Article 4.07 below; and (d) by utilizing such other method 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 Borrower. Unless the parties otherwise agree, disbursements shall be made only in amounts of not less than the equivalent of fifty thousand United States of America dollars (US\$50,000) each.

ARTICLE 4.07. Revolving Fund. (a) By charge to the Financing and upon fulfillment of the requirements set forth in Articles 4.01 and 4.03 of these General Conditions and the pertinent requirements established in the Special Conditions, the Bank may advance resources of the Financing for the purpose of establishing, increasing or replenishing a Revolving Fund to defray costs pertaining to the execution of the Project which, pursuant to provisions of this Contract, are eligible for Financing with such resources.

(b) Except by express agreement between the parties, the amount of the Revolving Fund shall not exceed 5% of the amount of the Financing. Upon justified request, the Bank may increase or replenish the Revolving Fund as the resources are used, provided that the requirements of Article 4.03 of these General Conditions and those which may be established in the Special Conditions have been fulfilled. The Bank may also reduce or cancel the Revolving fund should it determine that the resources provided through the Revolving fund exceed the needs of the Project. The establishment and the replenishment of the Revolving Fund shall be regarded as disbursements for the purposes of this Contract.

(c) The plan, catalog or code of accounts that the Borrower of Executing Agency must present to the Bank in accordance with Article 4.01(e) of these General Conditions shall indicate the accounting method used by the Borrower to verify the transactions and statements of account of the Revolving Fund.

(d) Not later than thirty (30) days prior to the date agreed upon for the final disbursement of the Financing, the Borrower shall present a final justification of the use of the Revolving Fund and return any unused portion thereof.

ARTICLE 4.08. Availability of Local Currency. The Bank shall be obliged to make disbursements to the Borrower in local currency only to the extent that the respective depository of the Bank has placed such currency at its effective disposition.

CHAPTER V

Suspension of Disbursements and Accelerated Maturity

ARTICLE 5.01. Suspension of Disbursements. The Bank, by written notice to the Borrower, 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 Borrower to the Bank for principal, fees, interest, return of advances of funds or for any other reason, under this Contract or any other Loan Contract entered into between the Bank and the Borrower.
- (b) Nonfulfillment by the Borrower of any other obligation set forth in the Contract or in any other Contract entered into with the Bank for the financing of the Project.
- (c) Withdrawal or suspension from membership in the Bank of the country in which the Project is to be executed.
- (d) The Project or the purposes of the Financing may be affected by: (i) any restriction, modification or alteration of the legal capacity, functions or assets of the Borrower 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 Financing or the signature of the Contract. In such cases, the Bank will have the right to require the Borrower and the Executing Agency to provide reasoned and detailed information. Only after hearing the Borrower or the Executing Agency and weighing the information or clarification received, or if the Borrower 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) The non-compliance on the part of the Guarantor, if any, of any obligation set forth in the Guarantee Contract.
- (f) When the Borrower is not a member country government, any extraordinary circumstance which, in the opinion of the Bank, makes it unlikely that the Borrower will be able to comply with the obligations established in this Contract or to fulfill the purposes for which it was entered into.

ARTICLE 5.02. Termination, Accelerated Maturity, or Partial Cancellation of Undisbursed Balances. (a) The Bank may terminate this Contract with respect to the part of the Financing not yet disbursed or may declare the entire loan or a portion thereof immediately due and payable, together with interest and commissions accrued up to the date of payment if: (i) any of the circumstances set forth in paragraphs (a), (b), (c) and (e) of the preceding Article continues for more than sixty (60) days; or (ii) the information referred to in paragraph (d) of the preceding Article, or the clarifications or additional information presented by the Borrower or the Executing Agency, if any, are not satisfactory to the Bank.

(b) The Bank may cancel the part of the Financing pertaining to the procurement of certain goods, works or related services, or consulting services, or may declare the portion of the loan pertaining to such items immediately due and payable, if it determines at any time that: (i) the procurement was carried out without following the procedures set forth in this Contract; or

(ii) representatives of the Borrower or a beneficiary of the grant have committed corrupt practices, either in the process of selecting the supplier or contractor or in the execution of the respective contract, and the Borrower has not taken timely and remedial measures, observing the due process guarantees of the Borrowing country's legislation, and acceptable to the Bank.

(c) For the purposes of the above paragraph, corrupt practices shall be understood to include, but not be limited to, acts of: (i) bribery, meaning the offering or giving of anything of value to influence the actions or decisions of third parties or the receiving or soliciting of any benefit in exchange for actions or omissions related to the performance of duties; (ii) extortion or coercion, meaning the act of obtaining something, compelling an action or influencing a decision through intimidation, threat or the use of force, where potential or actual injury may befall upon a person, his/her reputation or property; (iii) fraud, meaning any action or omission intended to misrepresent the truth so as to induce others to act in reliance thereon, with the purpose of obtaining some unjust advantage or causing damage to others; and (iv) collusion, meaning a secret agreement between two or more parties to defraud or cause damage to a person or entity or to obtain an unlawful purpose.

ARTICLE 5.03. 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 Borrower or the Executing Agency, if any, has agreed to provide from the resources of the Financing to make payments to a supplier of goods or services. The exceptions set forth in subparagraph (b) shall not apply if the Bank determines that corrupt practices occurred with respect to the procurement of, or the execution of the contract for, the goods or services.

ARTICLE 5.04. Non-waiver of Rights. Any delay by the Bank in the exercise of its rights pursuant to this Contract, 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 5.05. Provisions not Affected. The application of any of the measures provided for by this Chapter shall not affect the obligations of the Borrower established in this Contract, which shall remain in full force and effect, except that in case the entire Loan has been declared due and payable only the pecuniary obligations of the Borrower shall continue in force.

CHAPTER VI

Execution of the Project

ARTICLE 6.01. General Provisions for Execution of the Project. (a) The Borrower undertakes 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 undertakes 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 Financing 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 Borrower shall contribute in a timely manner all the resources in addition to those of the Loan 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 of the Financing an increase in the estimated cost of the Project arises, the Bank may require the modification of the investment schedule referred to in Article 4.01(d) of these General Conditions in order that the Borrower shall meet such increase.

(b) Beginning with the calendar year following the initiation of the Project and during the period of its execution, the Borrower shall demonstrate to the Bank in 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.

CHAPTER VII

Records, Inspections and Reports

ARTICLE 7.01. Internal Control and Records. The Borrower or the Executing Agency, as the case may be, shall maintain an appropriate system of internal accounting and administrative controls. The accounting system shall be organized so as to provide the necessary documentation to permit the verification of transactions and facilitate the timely preparation of financial statements and reports. The records of the Project shall be maintained in such a way that: (a) they make it possible to identify the sums received from the various sources; (b) they show, in accordance with the catalogue of accounts approved by the Bank, the investments in the Project, both with the resources of the Loan and with the other funds to be provided for its complete execution; (c) they include sufficient detail to show the goods acquired and the services contracted, as well as the utilization of such goods and services; and (d) they show the cost of the investments in each category and the progress of the works. With respect to credit programs, the records shall also detail the credits granted, the recoveries obtained, and the utilization of the funds recovered.

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

(b) The Borrower and the Executing Agency, if any, shall permit the Bank to inspect at any time the Project, 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 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.

ARTICLE 7.03. Reports and Financial Statements. (a) The Borrower or the Executing Agency, as appropriate, shall present to the Bank the following reports, within the periods specified with respect to each:

- (i) Reports on the execution of the Project, within sixty (60) days following the end of each calendar Semester, or within such other period as the parties may agree, prepared in accordance with the relevant rules agreed to with the Bank.
- (ii) Such other reports as the Bank may reasonably request regarding the investment of the sums lent, the use of goods acquired with such sums, and the progress of the Project.
- (iii) Three copies of the financial statements for the entire Project as of the close of each fiscal year of the Executing Agency, and supplementary financial information relating to such statements. Such financial statements shall be submitted within one hundred twenty (120) days following the close of each fiscal year of the Executing Agency, beginning

with the fiscal year in which the Project was initiated and during the period stipulated in the Special Conditions.

- (iv) When the Special Conditions so require, three copies of the financial statements of the Borrower as of the close of each fiscal year, and supplementary financial information relating to such statements. The financial statements shall be submitted during the period stipulated in the Special Conditions, beginning with the fiscal year in which the Project was initiated and within one hundred twenty (120) days following the close of each fiscal year of the Borrower. This obligation shall not apply if the Borrower is the Republic or the Central Bank.
- (v) When the Special Conditions so require, three copies of the financial statements of the Executing Agency as of the close of each fiscal year, and complementary financial information relating to such statements. The statements shall be submitted during the period stipulated in the Special Conditions, beginning with the fiscal year in which the Project was initiated and within one hundred twenty (120) days following the close of each fiscal year of the Executing Agency.

(b) The statements and documents described in paragraphs (a)(iii), (iv) and (v) shall be submitted with the opinion of the auditing entity specified in the Special Conditions of this Contract and in accordance with requirements satisfactory to the Bank. The Borrower or the Executing Agency, as the case may be, shall authorize the auditing entity to provide the Bank with any additional information it may reasonably request with respect to the financial statements and audit reports issued.

(c) 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 periods mentioned above, the Borrower or the Executing Agency shall contract the services of a firm of independent public accountants acceptable to the Bank. The services of a firm of independent public accountants may also be utilized if the contracting parties so agree.

CHAPTER VIII

Provision on Encumbrances and Exemptions

ARTICLE 8.01. Commitment on Encumbrances. If the Borrower should agree to create any specific encumbrance on all or part of its assets or revenues to secure an external debt, it shall at the same time create an encumbrance guaranteeing to the Bank, equally and proportionally, the fulfillment of the pecuniary obligations arising from the Contract. However, the foregoing shall not apply: (a) to encumbrances on goods used as security for payment of the unpaid balance of the purchase price; and (b) to encumbrances created in banking operations to secure payment of debts

with maturities of not more than one year. In the event that the Borrower is a member country, the term "assets or revenues" shall mean all types of assets or revenues which belong to the Borrower or any of its dependent agencies which are not autonomous entities with their own separate capital.

ARTICLE 8.02. Tax Exemption. The Borrower undertakes to ensure that both the principal and the interest and other charges of the Loan shall be paid without any deduction or restriction whatsoever, exempt from any tax, fee, duty or charge established or that may be established by the laws of its country, and to pay any tax, fee, or duty applicable to the signing, negotiation, and execution of this Contract.

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 Borrower, 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 Borrower 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 as to 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 has been 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.