

**NON-REIMBURSABLE INVESTMENT FINANCING AGREEMENT
No. 5584/GR-BL**

between

BELIZE

and the

INTER-AMERICAN DEVELOPMENT BANK

Program for Sustainable and Inclusive Belize

21 February 2023

NON-REIMBURSABLE INVESTMENT FINANCING AGREEMENT

SPECIAL CONDITIONS

This non-reimbursable investment financing agreement, hereinafter the “Agreement,” is entered into between BELIZE, hereinafter referred to as the “Beneficiary,” and the INTER-AMERICAN DEVELOPMENT BANK, as administrator of the IDB Grant Facility, hereinafter referred to as the “Bank” and together with the Beneficiary, as the “Parties,” on 21 February 2023.

CHAPTER I

Purpose and Constituent Elements of the Agreement, and Special Definitions

SECTION 1.01. Purpose of the Agreement. The purpose of this Agreement 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 Program for Sustainable and Inclusive Belize, the main aspects of which are set forth in the Annex.

SECTION 1.02. Constituent Elements of the Agreement. This Agreement 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 Agreement, they shall have the meaning assigned to them below. Any reference to the singular includes the plural and vice versa.

- (a) “Environmental and Social Action Plan” or “ESAP” means the environmental and social action plan for the Project, dated August 10, 2022, as the same may be amended periodically in accordance with the provisions thereof, which sets out the material measures and actions that the Beneficiary, through the Executing Agency, shall carry out or cause to be carried out to address the potential environmental and social, health and safety labor and gender risks and impacts of the Project.
- (b) “Environmental and Social Performance Standards” or “ESPSs” refer to the 10 Performance Standards that are part of the Environmental and Social Policy Framework (GN-2965-23).
- (c) “Loan” means resources from the Loan Agreement No. 5583/OC-BL.
- (d) “Loan Contract” means the Loan Contract No. 5583/OC-BL.
- (e) “Strategic Environmental and Social Analysis” or “SESA” refer to the Environmental and Social document prepared for the Program.

CHAPTER II

The Contribution

SECTION 2.01. Amount and Approval Currency of the Contribution. In accordance with this Agreement, the Bank agrees to provide to the Beneficiary, and the Beneficiary accepts, non-reimbursable resources for up to the amount of eight hundred thousand Dollars (US\$800,000), hereinafter the "Contribution."

(b) The Program also includes resources from the Loan Contract No. 5583/OC-BL for up to fifteen million Dollars (US\$15,000,000).

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

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

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

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

SECTION 2.05. Proportionality of the Contribution and the Loan. (a) The Parties agree to maintain, during the Original Disbursement Period or any extensions thereof, the proportionality between the resources from the Loan and the Contribution.

(b) If during the Original Disbursement Period or any extensions thereof, should a reduction in the amount of the Loan occur, the Bank will reduce the amount of resources available from the Contribution in equal proportion, in order to ensure and maintain the proportionality referred to in subsection (a) above.

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) it has appointed the key staff of the Executing Unit (EU), including its Project Manager, a Social and Environmental Safeguard Specialist, a Procurement Specialist and a Financial Specialist; and

- (ii) it has approved the Project Operations Manual (POM), in the terms agreed with the Bank.

SECTION 3.02. Utilization of the Resources of the Contribution. The resources of the Contribution may only be used to pay expenses that: (i) are necessary for the Project and are in accordance with its objectives; (ii) are carried out in accordance with the provisions of this Agreement and Bank policies; (iii) are adequately recorded and documented in the Beneficiary's or Executing Agency's system; and (iv) are incurred after September 14, 2022 and before the expiration of the Disbursement Period or any extensions thereof; such expenses are hereinafter referred to as "Eligible Expenditures."

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

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

- (i) Prior to awarding contracts for the execution of Sub-component 1.3 and of tourism components of Outputs 2.3 and 2.4, an inter-institutional agreement will have to be signed between Executing Agency, Ministry of Tourism and Diaspora Relations (MTDR) and the Belize Tourism Board (BTB), establishing the responsibilities of each entity in the project implementation;
- (ii) Prior to awarding contracts for the execution of Sub-components 1.1 and 1.2. and of agriculture components of Outputs 2.3 and 2.4, an inter-institutional agreement will have to be signed between Executing Agency, Ministry of Agriculture, Food Security and Enterprises (MAFSE) and Belize Marketing and Development Corporation (BMDC), establishing the responsibilities of each entity in the project implementation; and
- (iii) Prior to awarding contracts for the execution of Output 2.2 "Climate and Environmental Risks Information System", an inter-institutional agreement will have to be signed between the University of Belize and the National Climate Change Office, establishing the responsibilities of each entity in the project implementation.

CHAPTER IV

Execution of the Project

SECTION 4.01. Executing Agency. The Beneficiary, acting through Ministry of Finance, Economic Development and Investment (MFEDI), shall be the Executing Agency of the Project.

SECTION 4.02. Procurement of Goods, Works, and Non-consulting Services. (a) For purposes of Article 2.01(24) of the General Conditions, the Parties agree that the Procurement Policies are those dated May 2019, which are contained in document GN-2349-15, approved by the Bank on July 2, 2019. If the Procurement Policies are amended by the Bank, the procurement of works, non-consulting services, and goods shall be carried out in accordance with the provisions of the modified Procurement Policies, once they are made known to the Beneficiary and the Beneficiary agrees in writing to their application.

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

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

(d) Regarding the use of the national competitive bidding method, the respective national competitive bidding procedures may be used provided that, in the opinion of the Bank, these procedures are consistent with the Core Procurement Principles and generally compatible with Section I of the Procurement Policies, taking into account the provisions of paragraph 3.4 of the Procurement Policy, among others.

(e) Regarding the use of the national competitive bidding method, this may be used provided that the contracting or procurement is carried out in accordance with the bidding document or documents agreed to between Beneficiary and the Bank.

(f) The Beneficiary or the Executing Agency, as the case may be, agrees to obtain prior to awarding the contract for each of the works of the Project, if any, legal possession of the property where the construction of the respective work is to take place, easements or other rights required for its construction and use, as well as water rights required for the work in question.

SECTION 4.03. Selection and Contracting of Consulting Services. (a) For purposes of Article 2.01(8) of the General Conditions, the Parties agree that the Consultant Policies are those dated May 2019, which are contained in document GN-2350-15, approved by the Bank on July 2, 2019. If the Consultant Policies are amended by the Bank, the selection and contracting of

consulting services shall be carried out in accordance with the provisions of the modified Consultant Policies, once they are made known to the Beneficiary and the Beneficiary agrees in writing to their application.

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

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

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

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

(b) The POM shall include, at a minimum, the following elements: (i) the organizational arrangements, including details of the functions of the Executing Unit; of the Implementation Entity, in charge of implementing Subcomponents 1.1 and 1.2; of the Supervisory Entity, in charge of quality control for Subcomponent 1.1 and 1.2; of Belize Tourism Board, in charge of implementing Subcomponent 1.3; (ii) technical and operational arrangements for execution and, in particular, details on the implementation of each grants program (Subcomponent 1.1, 1.2 and 1.3); elaboration of farm plans; and facilitation of farmers field schools; (iii) the E&S requirements and include as Annexes the Environmental and Social Management System; (iv) the arrangements for programming, monitoring, and evaluating results; and (v) the guidelines for financial and procurement management and for audits.

SECTION 4.06. Environmental and Social Management. For purposes of Articles 4.06 and 5.02 of the General Conditions, the Parties agree that Project execution shall be governed by the following provisions, which have been identified as necessary for compliance with the environmental and social obligations of the Project:

- (i) The Beneficiary agrees to design, build, operate, maintain, and monitor the Project and manage the Environmental, Social, Health and Safety ("ESHS") risks of the

Project's Associated Facilities, if any, directly or through the Executing Agency or through every other contractor, operator or any other person performing Project related activities in accordance with the Environmental and Social Management System, and the Environmental and Social Management Plan, the Indigenous People Plan, and other environmental, social and occupational health plans that may have already been developed and/or will be developed during execution, and requirements included in the Corrective Action Plan.

- (ii) The Beneficiary directly or through the Executing Agency, shall ensure that it will not knowingly finance, directly or indirectly, projects or sub-projects on the IDBs Environmental and Social Exclusion List (Annex 1 of the Environmental and Social Policy Framework Policy Statement, GN2965-23), including Category A projects.
- (iii) The Beneficiary, directly or through the Executing Agency, shall ensure that the Project is implemented in accordance with the Environmental and Social Action Plan ("ESAP") dated August 10, 2022, in a manner acceptable to the Bank. To this end, the Beneficiary shall ensure that: (i) the measures and actions specified in the ESAP are implemented with due diligence and efficiency, as provided in the ESAP; (ii) sufficient funds are available to cover the costs of implementing the ESAP; (iii) qualified and experienced staff are retained to implement the ESAP; and (iv) the ESAP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree previously in writing, as specified in the ESAP, and ensure that the revised ESAP is disclosed promptly thereafter.
- (iv) The Beneficiary, directly or through the Executing Agency must: (i) implement participation processes with the interested parties in the activities foreseen in the Program to guarantee that the affected communities are informed and consulted about the progress of the activities and the socio-environmental management of the Program; (ii) disclose the Environmental and Social Management System ("ESMS") and any evaluation and socio-environmental management plan related to the activities; and (iii) establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.
- (v) The Beneficiary, directly or through the Executing Agency, should ensure that all bidding documents and contracts to be financed under the Project should include provisions that require applicants, bidders, contractors, consultants, representatives, staff members, subconsultants, subcontractors, goods suppliers and their representatives, contractors, consultants, staff members, subcontractors, subconsultants, service providers, concessionaires, and supervising entities, among other aspects, to: (a) comply with the Environmental and Social Action Plan ("ESAP") and the environmental and social instruments referred to therein, including procedures to prevent child labor and forced labor; and (b) adopt and enforce a code of conduct that should be provided and properly communicated to

all workers, defining rules of behavior for all workers related to prevention and management measures for environmental, labor, and social risks of the Project, including health and safety risks, sexual and gender based violence, discrimination, and sexual abuse and exploitation of children and other individuals or vulnerable groups, as applicable to such civil works, services other than consultancies, consultancies and goods.

SECTION 4.07. Other Execution-related Special Obligations. (a) Notwithstanding the provisions of this Agreement related to disbursements, once the Borrower and the Bank have signed and entered into effect the Loan Contract and the Borrower has fulfilled the conditions precedent to the first disbursement set forth in the General Conditions of the Loan Contract, the Bank may disburse to the Borrower up to the amount of fifty thousand dollars (US\$50,000) from the resources of the Loan to hire the Project Manager, and the Procurement Specialist and Financial Specialist within the EU.

(b) The Beneficiary, directly or through the Execution Agency, will not finance activities that: (i) generate significant impacts (Category A) according to their socio-environmental impacts in accordance with the Bank's Environmental and Social Policy Framework; (ii) have the potential to cause significant impacts on critical natural habitats or damage to critical cultural sites; (iii) cause significant negative impacts on indigenous peoples; or (iv) cause population resettlement or significant adverse impacts on livelihoods or economic activities of the population in its area of influence, in accordance with what is described in the ESMS and Annex I of the Environmental and Social Policy Framework ("ESPF").

CHAPTER V

Supervision and Evaluation of the Project

SECTION 5.01. Supervision of Project Execution. For purposes of Article 5.02 of the General Conditions, the documents that, as of the date of signature of this Agreement, have been identified as necessary to supervise progress in the execution of the Project are:

- (a) Multiyear Execution Plan (MEP), which shall include comprehensive planning of the Project pursuant to the structure of the expected outputs set out in the Project Results Matrix, and the critical path of milestones or actions that must be taken to ensure that the Loan is disbursed within the period indicated in Section 2.04 of these Special Conditions. The MEP shall be updated as necessary, but especially whenever significant changes are made that delay—or may delay—the execution of the Project, or changes are made to output targets for intermediate periods.
- (b) Annual Work Plans (AWP) that shall be presented at least thirty (30) days prior to the beginning of each calendar year and prepared on the basis of the MEP shall contain detailed work plans for each year.
- (c) Progress reports of the activities in their respective components to the Bank, no later than sixty (60) days after the end of each six-month period of each year during

execution. These reports will include information on: (i) technical and financial targets met, explanations of deviations and corrective measures; and (ii) progress towards outcomes. Reports for the second six-month period will include the updated disbursement, procurement, and risk management plans.

SECTION 5.02. Supervision of the Financial Management of the Project. (a) For purposes of Article 5.03 of the General Conditions, as of the date of signature of this Agreement, the following external audit financial reports and other reports have been identified as necessary to supervise the financial management of the Project are (i) the annual financial audit report of the Project to be submitted within one hundred twenty (120) days following the end of each Project fiscal year; and (ii) a final financial audit report of the Project to be submitted within one hundred twenty (120) days after the date of the last disbursement.

(b) For purposes of Article 7.03(a) of the General Conditions, the fiscal year of the Project is the period between April 1 and March 31 of each year.

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

- (a) A midterm evaluation report to the Bank within ninety (90) days after the date on which fifty per cent (50%) of the loan proceeds have been committed, or fifty per cent (50%) of the execution period has elapsed, whichever occurs first, and the project completion report within ninety (90) days after the date on which ninety per cent (90%) of the loan proceeds have been disbursed. The final evaluation report will include the results of the project impact evaluation. The impact evaluation will analyze the causal effects of the vouchers, business plans and grants by implementing experimental and quasi experimental approaches. For this, a baseline and follow-up surveys will be collected to a representative group of beneficiaries and controls.

CHAPTER VI

Miscellaneous Provisions

SECTION 6.01. Entry into Effect of the Agreement. This Agreement 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 Agreement related to the execution of the Project, 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:

Financial Secretary
Ministry of Finance, Economic Development and Investment
Government of Belize
Sir Edney Cain Building
Belmopan, Belize

Facsimile: (501) 822-2886

Email address: financial.secretary@mof.gov.bz

For the Executing Agency:

Mailing address:

Chief Executive Officer
Ministry of Finance, Economic Development and Investment
Ground Floor, Sir Edney Cain Building
Belmopan, Belize

Email address: ceo@med.gov.bz

For the Bank:

Mailing address:

Inter-American Development Bank
Country Office in Belize
1024 Newtown Barracks 101, 1st Floor
Belize City, Belize

Facsimile: (501) 221-5312

Email address: IDBBelize@iadb.org

(b) Any notice from one Party to another by virtue of this Agreement regarding matters other than those related to the execution of the Project, 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:

Financial Secretary
Ministry of Finance, Economic Development and Investment
Government of Belize
Sir Edney Cain Building
Belmopan, Belize

Facsimile: (501) 822-2886

For the Bank:

Mailing address:

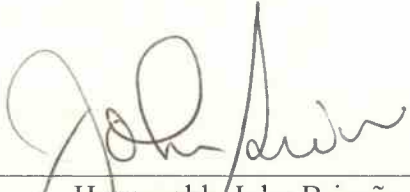
Inter-American Development Bank
1300 New York Avenue, N.W.
Washington, D.C. 20577
U.S.A.

Facsimile: (202) 623-3096

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

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

BELIZE



Honourable John Briceño
Prime Minister
and Minister of Finance, Economic
Development and Investment

INTER-AMERICAN DEVELOPMENT
BANK



Ilan Goldfajn
President

NON-REIMBURSABLE INVESTMENT FINANCING AGREEMENT

GENERAL CONDITIONS

March 2022

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 agreements, which the Bank enters into with its member countries or with other beneficiaries.

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

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

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

CHAPTER II

Definitions

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

1. “Additional Resources” means resources that are additional to those financed by the Bank, which are necessary for the complete and uninterrupted execution of the Project.
2. “Advance of Funds” means the amount of resources advanced by the Bank to the Beneficiary, chargeable to the Contribution, to cover Eligible Expenditures of the Project, as provided for in Article 3.07 of these General Conditions.

3. "Agreement" means this Non-Reimbursable Investment Financing Agreement.
4. "Bank" shall have the meaning assigned to it in the Special Conditions.
5. "Board" means the Board of Executive Directors of the Bank.
6. "Beneficiary" shall have the meaning assigned to it in the Special Conditions.
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. "Contracting Agency" means the entity with legal capacity to enter into a contract for the procurement of goods, works, consulting services, and non-consulting services with a contractor, supplier, consulting firm, or individual consultant, as the case may be.
10. "Contribution" shall have the meaning assigned to it in the Special Conditions.
11. "Core Procurement Principles" means the principles that guide the procurement activities and selection processes pursuant to the Procurement Policies and the Consultant Policies, being the following: value for money, economy, efficiency, equality, transparency, and integrity.
12. "Disbursement Period" means the original period for disbursements of the Contribution, which is set forth in the Special Conditions.
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. "Environmental and Social Performance Standards" means the ten (10) Performance Standards that are part of the Environmental and Social Policy Framework.
16. "Environmental and Social Policy Framework" means the Environmental and Social Policy Framework approved by the Bank and into effect at the time of the Project's approval.

17. "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."
18. "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.
19. "General Conditions" mean the entirety of articles which comprise Part Two of this Agreement.
20. "Local Currency" means any currency other than the Dollar that is legal tender in the countries of Latin America and the Caribbean.
21. "Parties" shall have the meaning assigned to it in the introduction to the Special Conditions.
22. "Procurement Agent" means the entity specialized in managing procurement which, upon agreement with the Borrower or the Executing Agency, as the case may be, may be employed to carry out, partially or in full, the procurement of goods or works, consulting services or non-consulting services for the Project.
23. "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.
24. "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.
25. "Prohibited Practices" mean the practices prohibited by the Bank in connection with the activities it finances, as defined by the Board or that are defined in the future and communicated to the Beneficiary, including among others: corrupt practice, fraudulent practice, coercive practice, collusive practice, obstructive practice, and misappropriation.
26. "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.
27. "Semester" means the first or second six (6) months of a calendar year.
28. "Special Conditions" mean the entirety of provisions which comprise Part One of this Agreement.

CHAPTER III
Disbursements, Renunciation, and Automatic Cancellation

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

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

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

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

form and conditions as may be specified by the Bank, a disbursement request together with the pertinent documents and other background materials required by the Bank. Unless the Bank agrees otherwise, the last disbursement request shall be presented to the Bank no later than thirty (30) days in advance of the expiration date of the Original Disbursement Period or any extension thereof.

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

(c) Any charge, fee, or expense assessed to the bank account into which disbursements of the proceeds 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 proceeds of the Contribution deposited in the bank account designated to receive disbursements shall be used to finance Eligible Expenditures.

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

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

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

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

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

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

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

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

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

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

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

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

guaranteed by the Bank shall be used exclusively for the purposes established in the letter of credit for as long as the guarantee remains in effect.

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

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

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

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

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

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

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

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

and other information that the Bank may request; and (iii) return to the Bank the unjustified balance of disbursed resources of the Contribution.

(b) Notwithstanding the foregoing, if this Agreement provides for external financial audit reports financed with resources of the Contribution, the Beneficiary or the Executing Agency, as the case may be, agrees to reserve, in the manner agreed with the Bank, sufficient resources to cover the payment of the corresponding auditing services. In this case, the Beneficiary or the Executing Agency, as the case may be, also undertakes to agree with the Bank as to how the corresponding payments for such audits will be made. In the event the Bank does not receive the above-mentioned external financial audit reports within the periods stipulated in this Agreement, the Beneficiary or the Executing Agency, as the case may be, agrees to return to the Bank the resources reserved for such purpose, which shall not be construed as a waiver by the Bank to exercise the rights set forth in 0 of this Agreement.

CHAPTER IV **Execution of the Project**

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

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

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

(d) The Beneficiary shall include, or cause the Executing Agency and the Procurement Agent, if any, to include in all bidding documents, requests for proposals, and contracts financed with the resources of the Contribution that they enter into, respectively, a provision requiring that

providers of goods or services, contractors, subcontractors, consultants and their agents, personnel, subconsultants, subcontractors, or concessionaires contracted by them, keep all documents and records related to activities financed with resources of the Contribution for a period of seven (7) years after completion of the work contemplated in the relevant contract.

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

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

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

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

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

(b) When the Bank has satisfactorily assessed and deemed acceptable the procurement rules, procedures, and systems of the Beneficiary or an entity of the Beneficiary, the Beneficiary

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

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

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

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

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

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

(c) The Beneficiary, directly or through the Executing Agency, as the case may be, agrees to implement a corrective action plan, agreed upon with the Bank, to mitigate, correct, and compensate any adverse consequences that may result from the failure to comply with the implementation of the environmental and social obligations set forth in the Special Conditions.

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

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

CHAPTER V

Supervision and Evaluation of the Project

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

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

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

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

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

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

ARTICLE 5.03. External Financial Audit Reports and other Financial Reports.

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

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

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

supreme audit institution or the independent auditors to provide the Bank with such additional information it may reasonably request with respect to the external financial audit reports.

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

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

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

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

CHAPTER VI

Suspension of Disbursements and Cancellations

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

- (a) Delay in the payment of any sums owed by the Beneficiary to the Bank as reimbursement of resources of the Contribution used for ineligible expenses, or otherwise, under the terms of this Agreement or any other Contract between the Bank and the Beneficiary, including any other non-reimbursable financing Agreements.

- (b) Noncompliance by the Beneficiary, or the Executing Agency, as the case may be, of any other obligation set forth in any contract entered into with the Bank for the financing of the Project, including this Agreement, as well as noncompliance by the Beneficiary or the Executing Agency, as the case may be, with any contract they enter into for the execution of the Project.
- (c) Withdrawal or suspension from membership in the Bank of the country in which the Project is to be executed.
- (d) When, in the opinion of the Bank, the objective of the Project or the Contribution may be adversely affected or the execution of the Project may be improbable owing to: (i) any restriction, modification, or alteration of the legal capacity, functions, or assets of the Beneficiary or the Executing Agency, as the case may be; or (ii) any modification or change made without the written concurrence of the Bank of any condition fulfilled before the approval of the Contribution by the Bank.
- (e) Any extraordinary circumstance which, in the opinion of the Bank: (i) makes it unlikely that the Beneficiary, the Executing Agency, as the case may be, will be able to fulfill the obligations established in this Agreement or (ii) prevents the fulfillment of the Project's development objectives.
- (f) Whenever the Bank determines that an employee, agent, or representative of the Beneficiary, the Executing Agency, or the Procurement Agent, as the case may be, has engaged in a Prohibited Practice in connection with the Project.

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

- (a) any of the circumstances set forth in paragraphs (a), (b), and (c) of the preceding Article continues for more than sixty (60) days;
- (b) any of the circumstances set forth in paragraphs (d) and (e) of the previous Article occurs and so long as it continues, and the Beneficiary or the Executing Agency, as the case may be, fails to provide to the Bank the clarifications or additional information that the Bank considers necessary;
- (c) the Bank, in accordance with its sanctions procedures, determines that any firm, entity, or individual bidding for or participating in a Bank-financed activity, including applicants, bidders, contractors, consulting firms and individual consultants, personnel, subcontractors, subconsultants, providers of goods or services, concessionaires, financial intermediaries, or a Contracting Agency (including their respective officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted), has engaged in a Prohibited Practice in connection with the Project; and that the Beneficiary, the Executing Agency, or the Procurement Agent, as the case may be, has not taken

adequate remedial measures (including providing adequate notice to the Bank upon learning of the Prohibited Practice) within a period of time the Bank considers reasonable; and

- (d) the Bank determines, at any time, that a procurement of goods or the contracting of works or non-consulting services was carried out without following the procedures set forth in this Agreement. In this case, the cancellation or early termination will apply to the portion of the Contribution used for such procurement or contracting and any amounts already used will be reimbursed to the Bank.

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

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

CHAPTER VII **Prohibited Practices**

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

- (i) Denying financing of contracts for the procurement of goods or the contracting of works or consulting or non-consulting services;
- (ii) Declaring a contract ineligible for Bank financing whenever there is evidence that the agent of the Beneficiary, the Executing Agency, or the Contracting Agency, as the case may be, has not taken adequate remedial measures (including providing adequate notice to the Bank upon learning

of the commission of the Prohibited Practice) within a period of time the Bank considers reasonable;

- (iii) Issuing the firm, entity, or individual determined to be responsible a reprimand in the form of a formal letter of censure for its behavior;
- (iv) Declaring a firm, entity, or individual determined to be responsible for engaging in the Prohibited Practice ineligible, either permanently or temporarily, to participate in Bank-financed activities, whether directly as a contractor or supplier, or indirectly as a subconsultant, subcontractor, or a supplier of goods, consulting services, or non-consulting services;
- (v) Referring the matter to appropriate law enforcement authorities; and
- (vi) Imposing fines representing reimbursement to the Bank of costs associated with investigations and proceedings in connection with the commission of the Prohibited Practice.

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

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

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

(e) When the Beneficiary procures goods or contracts works or non-consulting services directly from a specialized agency under an agreement between the Beneficiary and such specialized agency, all provisions under this Agreement regarding sanctions and Prohibited Practices shall apply in their entirety to applicants, bidders, providers of goods and their agents, contractors, consultants, personnel, subcontractors, subconsultants, service providers, concessionaires (including their respective officers, employees, and agents, irrespective of whether

their authority has been expressly or implicitly granted), or to any other entities that have signed contracts with such specialized agency, to supply goods, works, or non-consulting services in connection with Bank-financed activities. The Beneficiary or the Executing Agency, as the case may be, agrees to adopt, as may be required by the Bank, remedies such as suspension or termination of the corresponding contract. The Beneficiary agrees that the contracts it enters into with specialized agencies shall include provisions requiring them to consult the Bank's list of firms and individuals debarred either temporarily or permanently by the Bank from participating in a procurement or contracting operation financed wholly or partially with resources of the Contribution. In the event a specialized agency signs a contract or purchase order with a firm or an individual temporarily or permanently debarred by the Bank as indicated in this article, the Bank will not finance such contracts or expenditures and will apply such other remedies as it deems appropriate.

CHAPTER VIII

Provision on Exemptions

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

CHAPTER IX

Miscellaneous Provisions

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

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

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

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

ARTICLE 9.04. Validity. The rights and obligations established in this Agreement are valid and enforceable in accordance with the terms agreed upon herein, regardless of the laws of any given country.

ARTICLE 9.05. Disclosure of Information. The Bank may disclose this Agreement and any information related thereto, in accordance with its access to information policy in effect at the time of such disclosure.

CHAPTER X **Arbitration Procedure**

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

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

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

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

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

(c) The award shall be in writing and shall be adopted with the concurrent vote of at least two (2) members of the tribunal. It shall be handed down within approximately sixty (60) days from the date on which the President is appointed, unless the tribunal determines that, due to special and unforeseen circumstances, such period should be extended. The award shall be notified to the Parties by means of a notification signed by at least two (2) members of the

tribunal, and shall be complied with within thirty (30) days from the date of notification. The award shall be final and will not be subject to any appeal.

ARTICLE 10.05. Costs. The fees of each arbitrator and the costs of arbitration (with the exception of attorneys' fees and the fees of other experts, which shall be covered by the Parties that appointed them) shall be covered by both Parties in equal proportion. Any doubt regarding the division of costs or the manner in which they are to be paid shall be determined, without appeal, by the tribunal.

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

ANNEX

THE PROGRAM

Program for Sustainable and Inclusive Belize

I. Objective

- 1.01** The general objective of this operation is to improve incomes and promote sustainable livelihoods in the agriculture and tourism sectors. The specific objectives are to improve Micro Small and Medium-sized Enterprises (MSMEs) competitiveness, climate resilience, and environmental sustainability.

II. Description

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

Component 1. Direct support to farmers, agricultural groups and MSMEs for sustainable and inclusive development

- 2.02 Sub-component 1. Environmentally sustainable and climate resilient farming systems.** To promote the adoption of environmentally sustainable practices, increase climate resilience and agricultural productivity, the project will finance the following activities:
- 2.03 (a) Technical Assistance (TA),** with gender and socio-cultural approaches, will be provided for 2 to 3 agricultural cycles. Technical assistants will accompany beneficiary farmers in: (i) the elaboration of a farm plan, a roadmap to improve the farm's organization and management to achieve profitability and sustainability goals; (ii) the implementation of the farm plan, including follow-up visits to provide technical advice on production, climate-smart and environmentally sustainable practices, and/or standards required to enter formal markets; (iii) farm management (e.g., basic accounting) and access to market information (e.g., market requirements, financing opportunities, etc.); and (iv) support to registration in BAIMS (requirement to obtain financing), if needed. Technical assistants will also organize and facilitate collective training and learning-by-doing activities such as farmers field schools. A gender approach to TA will be implemented to promote women's participation (i.e., considering domestic burden, childcare, language barriers, etc.). The eligibility criteria will ensure that indigenous and migrant farmers will be included, and an MoU will be signed with indigenous authorities to ensure participation of indigenous women. Moreover, TA will be provided to migrant farmers considering their specific needs – language, for example.

- 2.04 (b) Green Innovation Vouchers (GIV)** will be provided to farmers to partially finance the implementation of their farm plans with the support of the technical advisers. The GIV will have a maximum amount of US\$2,000. The eligibility criteria for the investments to be financed are: (i) inputs/equipment must be included in the pre-established menu of authorized technologies (i.e., climate-smart and environmentally sustainable inputs and equipment to support: farm diversification, agroforestry and silvo-pastoral systems, fodder banks, high quality planting material, good practices in soil and water management, substitution of chemically synthesized fertilizers and pesticides by bio-inputs, water storage and drip irrigation with solar pumps, cover structures, among others; (ii) the inputs/equipment selected by the farmers contribute to the implementation of their farm plan; and (iii) the inputs/equipment are exchanged with the GIV through a private provider accredited by the project. GIVs will be provided (along with TA) to approximately 1,500 farmers, who will meet the following eligibility criteria: (i) present proof of land tenure, property rights or usufruct; according local standards; (ii) being a small farmer (from 0.5 acres to 20 acres); and (iii) commit to register in the BAIMS, if not yet the case. Beneficiary farmers for TA and GIV will be selected among the eligible ones through public random raffle, except in indigenous areas where culturally appropriate selection mechanisms will be implemented, validated by the communities. Previous communication campaigns with cultural relevance (i.e., language, communication channels) will massively inform about the opportunities offered by the project, the eligibility criteria, the complaint mechanisms, etc. 25% of vouchers will be reserved for women, and 15% to indigenous farmers.
- 2.05 Sub-component 2: Sustainable and Inclusive Agri-Food Markets.** To increase competitiveness and access to markets, the project will finance:
- 2.06 (a) The preparation of Green Agri-Business Plans (GABP)** for approximately 40 Farmers Groups (FGs), with an estimated total of 1000 individual beneficiaries, considering an average of 25 members for each FG; and 80 MSME's, with an estimated total of 320 individual beneficiaries, considering an average of 3 employees for each MSME. MSMEs (not FGs) will have to present evidence of having conducted business activities for at least one year prior to registering in the project. The GABP will include investments that aim to improve access to markets, with emphasis on environmental sustainability and/or climate resilience, including: (i) storage; (ii) processing; (iii) transportation; (iv) market intelligence; (v) compliance with formal requirements (registrations and legal certificates); (vi) certifications (i.e, environmental, fair trade, etc.); (vii) digitalization; (viii) diversification, among others. To elaborate the GABPs, the project will finance managerial advice to FGs/MSMEs through "business advisors". The business advisors will also provide, during an estimated period of three (3) years, TA to the FG/MSME in topics such as: formalization/registration and elaboration of financial statements, business administration, financing, and market opportunities, among others.
- 2.07 (b) The implementation of Green Agri-Business Plans (GABP)** for approximately 20 FGs (estimated total of 500 individual beneficiaries) and 40 MSMEs (estimated total of 160 individual beneficiaries). To that purpose, FGs could receive a grant up to a maximum amount of US\$75,000; and MSMEs could receive a grant for a maximum of US\$25,000.

¹ MSMEs that do not exceed the criteria established for Medium Enterprises in the Beltraide Act No.50 of 2017

To be eligible for financing, the GABP will meet the following criteria: (i) proof of formal legal status of the FG/MSME; (ii) proof of land tenure when the GABP includes the construction of infrastructure facilities; (iii) profitability and financial viability assessment; (iv) socio-environmental management strategy; and (v) others included in the MOP. Qualification criteria of GABPs will include (i) evidence that investments to be implemented are low carbon or environmentally sustainable (i.e., solar panels, waste reuse or reduction, circular economy practices); (ii) participation of women, youth, and migrants; and (iii) others included in the MOP. It is expected to finance initiatives of transformation and value addition of production, maintenance and improvement of quality, reduction of losses and waste, storage and collection, improvements within the production processes, diversification of products and use of by-products (new markets), among others. The GABPs will be selected based on a green screening tool to prioritize environmentally sustainable and climate change adaptation/mitigation investments. Eligible GABP's expenses will include: (i) TA and training; (ii) small infrastructure facilities; (iii) goods; (iv) equipment and machinery; and (v) costs of certifications and registrations, as well as all the costs associated with the implementation of the socio-environmental management strategy. 20% and 10% of grants will be reserved for female-led and Indigenous-led MSMEs/Organizations, respectively.

2.08 Sub-component 3: Sustainable and Inclusive Tourism. To address competitiveness, sustainability and resilience entrepreneurship barriers, the project will finance:

2.09 (a) The preparation of Sustainable Tourism Business Plans (STBP) for approximately 200 MSMEs in the tourism sector. Eligibility criteria for beneficiary MSMEs will include evidence of having conducted business activities for at least one year prior to registering in the project. The STBP will include investments that aim to reduce negative environmental externalities, enhance innovation and digitalization, and support market intelligence. To elaborate the STBPs, the project will finance managerial advice to MSMEs through "business advisors". The business advisors will also provide technical assistance to MSMEs in topics such as: formalization/registration and elaboration of financial statements, business administration, financing and market opportunities, among others.

2.10 (b) The implementation of approximately 150 STBP, for an average amount of US\$15,000. To be eligible for financing, the STBPs will meet the following criteria: (i) proof of formal legal status of the MSME; (ii) proof of land tenure when the STBP includes the construction of small facilities; (iii) profitability and financial viability assessment; (iv) socio-environmental management strategy; and (v) others included in the MOP. Qualification criteria of STBP will include: (i) evidence of the STBP's financial sustainability; (ii) evidence that investments to be implemented are low carbon or environmentally sustainable (i.e., individual sewage/waste management solutions, circular economy practices, among others); and (iii) others included in the MOP. The STBPs will be selected based on a green screening tool to prioritize environmentally sustainable and climate change adaptation/mitigation investments. Eligible STBP's expenses will include training, goods, equipment, certifications and registrations; as well as all the costs associated with the implementation of the socio-environmental management strategy. 20%

and 10% of grants will be reserved for female-led and Indigenous-led MSMEs, respectively.

Component 2. Enabling environment for sustainable and inclusive development.

To contribute to the sustainability and scaling-up of results achieved under Component 1, this component will finance:

- 2.11 (a) The creation of a Skills Development Ecosystem for sustainable and inclusive agriculture and tourism sectors.** This includes: (i) the establishment of an industry-led body (hereafter the skills consortium) to identify skills needs, set standards, and chart career pathways for the duration of the project and after the program ends, as well as to ensure the sustainability and continuity of the Skills Development Ecosystem across time; (ii) design and implementation of certified training programs to MSMEs owners and MSMEs employees, and to future service providers (such as agricultural technical advisors) in the areas of sustainable tourism and agriculture; (iii) a train-the-trainer program; and (iv) strengthening of quality assurance mechanisms for the skills development system which includes mapping of training providers' characteristics and enhancement of quality standards to measure training provider performance based on quality of teaching and learning outcomes.
- 2.12 (b) The upscale of the existing Climate Risks Information System (CRIS) to a "Climate and Environmental Risks Information System" (Output 2.2)** to incorporate key environmental information for the long-term competitiveness and sustainability of the agriculture and tourism sectors and enhance system-user's approach.
- 2.13 (c) Market Information Systems (Output 2.3).** This includes the strengthening of Agrilinks Belize, a platform that links farmers to buyers; as well as the development of the first stages of a Tourism Market Intelligence System at BTB.
- 2.14 (d) The pilot implementation of Green Certification Schemes (Output 2.4),** one in the tourism sector and one in the agricultural sector. Adherence to existing schemes will be enhanced, rather than creating new ones. Considering the potential benefits to develop linkages between both sectors, the pilots will ideally be implemented in the same territory to obtain economies of scale.
- 2.15 (e) Communication and public information campaigns** on climate and environmental risks and on resilient, low carbon and environmentally sustainable practices in agriculture and tourism, to increase awareness and enhance more responsible behavior from MSMEs and visitors.

III. Financing Plan

3.01 The distribution of the resources of the Loan is set forth in the following table:

Cost and Financing
(in thousands of US\$)

Components	Bank		Total	%
	Loan	Contribution		
Component I. Direct support to individual entrepreneurs, MSMEs and Associations for sustainable and inclusive development	11,245.00	800.00	12,045.00	76.23%
Sub-component 1.1: Environmentally sustainable and climate resilient farming systems	5,185.00	400.00	5,585.00	35.34%
Sub-component 1.2: Sustainable and inclusive Agri-food markets	2,919.60	400.00	3,319.60	21.01%
Sub-component 1.3: Sustainable and inclusive tourism	3,140.40	-	3,140.40	19.88%
Component II. Enabling environment for sustainable and inclusive development	2,755.00	-	2,755.00	17.44%
Other Costs	1,000.00	-	1,000.00	6.33%
Project administration and Management	550.00	-	550.00	3.48%
Monitoring and evaluations	350.00	-	350.00	2.22%
Audit	100.00	-	100.00	0.63%
Total	15,000.00	800.00	15,800.00	100%

IV. Execution

- 4.01 The borrower will be the country of Belize, and the Executing Agency will be the Ministry of Finance, Economic Development & Investment (MFEDI). The MFEDI will create an Executing Unit (EU) with the overall responsibility for the implementation of the project including: (i) coordination with line institutions, such as Ministry of Tourism and Diaspora Relations (MTDR), Belize Tourism Board (BTB), Ministry of Agriculture, Food Security and Enterprises (MAFSE), Belize Marketing and Development Corporation (BMDC) and Belize Trade and Investment Development Service (Beltraide); (ii) management of the procurement and financial functions; and (iii) planning, monitoring, and reporting on the project results. The EU will be staffed with the following personnel: (i) a portfolio director; (ii) a full-time project manager; (iii) a financial specialist; (iv) a procurement specialist; (v) a monitoring and evaluation specialist; (vi) a social and environmental safeguard specialist; and (vii) an administrative officer. The Executing Agency could seek to create synergies with other Bank-financed projects in relation to its staff.
- 4.02 The EU, with the technical collaboration of MAFSE, will hire: (i) up to three Implementing Entities (IE), to implement activities under Subcomponents 1.1. and 1.2. The selection of several IE is justified by the need to identify entities with a strong knowledge of the territories of intervention, including their socio-cultural diversity; (ii) a Supervisory Entity

(SE) to (a) implement permanent field supervision, to ensure that activities undertaken under Subcomponents 1.1 and 1.2 comply with established scope, quality and time, and with the Bank's Social and Environmental Policies; (b) certify and approve payments to the IE; to inputs and equipment providers; and to business advisors; and (c) Monitor technical and financial progress and provide inputs to the EU for reporting progress in execution. Sub-component 1.3. will be directly implemented by BTB. The EU will provide BTB with a team of individual consultant to perform, for Subcomponent 1.3, tasks similar as the SE's ones.