

**SOVEREIGN COUNTER-GUARANTEE CONTRACT No. 5234/OC-BL**

between

BELIZE

and the

INTER-AMERICAN DEVELOPMENT BANK

Support to the Financing of the Purchase of COVID-19 Vaccine  
and its Implementation

17<sup>th</sup> May 2021

# SOVEREIGN COUNTER-GUARANTEE CONTRACT

## SPECIAL CONDITIONS

This sovereign counter-guarantee contract, hereinafter the "Contract," is entered into between BELIZE, hereinafter referred to as the "Counter-Guarantor," and the INTER-AMERICAN DEVELOPMENT BANK, hereinafter referred to as the "Bank" and together with the Counter-Guarantor, as the "Parties," on 17 May, 2021.

### WHEREAS:

- (A) In accordance with the terms and conditions of a committed purchase agreement, entered into between the Counter-Guarantor, and THE GAVI ALLIANCE, hereinafter "Guaranteed Creditor", on September 18, 2020, whereby the Counter-Guarantor committed to pay certain future payment obligations in favor of the Guaranteed Creditor in relation to the purchase of approved vaccines against COVID-19; hereinafter referred to as the "Guaranteed Contract";
- (B) The Counter-Guarantor has requested to the Bank the issuing of a credit guarantee, hereinafter the "Guarantee", in order to guarantee certain Counter-Guarantor's payment obligations under Clauses 2.1, 2.2, 4.1, 4.3, and 7 of the Guaranteed Contract, hereinafter, the "Guaranteed Obligations", for up to two million, one hundred and thirty-seven thousand, two hundred and sixty Dollars (US\$2,137,260);
- (C) In consideration of the reimbursement obligations, and other terms and conditions provided for in this Contract, the Bank has accepted to issue the requested Guarantee; and
- (D) As a condition precedent to the issuance of the Guarantee, the Bank has requested the Counter-Guarantor, among others, for this Contract to have entered into effect.

### IT IS THEREFORE AGREED BY THE PARTIES:

## CHAPTER I

### Purpose, Constituent Elements of the Contract, and Special Definitions

**SECTION 1.01. Purpose of the Contract.** The purpose of this Contract is to establish the terms and conditions under which the Bank issues the Guarantee in order to guarantee the Guaranteed Obligations, for up to the Maximum Guarantee Amount as defined below, to support the execution of the program "Support to the Financing of the Purchase of COVID-19 Vaccine and its Implementation", hereinafter referred to as the "Guarantee Program", and together with the investment loan 5233/OC-BL hereinafter referred to as the "Project"; and to establish the terms and conditions under which the Counter-Guarantor will reimburse the Bank for any disbursement,

if any, made by the Bank under the Guarantee.

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

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

- (a) "Amortization Schedule" has the meaning assigned to that term in the General Conditions.
- (b) "Bank" has the meaning assigned to that term in the preamble of these Special Conditions.
- (c) "Callable Guarantee Amount" means, at any time, the effective amount of the Guarantee that can be claimed to the Bank for payment in accordance with the Guarantee Contract and the Guaranteed Contract. That is, the Maximum Guarantee Amount minus any reduction of the Guaranteed Obligations of the Counter-Guarantor under the Guaranteed Contract, if any, that is not the result of one or more Guaranteed Payments made by the Bank, and that is notified in writing by the Guaranteed Creditor to the Bank, to the Bank's satisfaction.
- (d) "Contract" has the meaning assigned to that term in the preamble of these Special Conditions.
- (e) "Corrective Action Plan" means a plan to correct any deficiency in compliance with environmental, social, health and safety requirements that the Bank may request from the Counter-Guarantor (or any other party obliged to do so by virtue of the Guarantee Program) and that must be delivered to the Bank within a preestablished term that, unless otherwise agreed, will be thirty (30) calendar days.
- (f) "Counter-Guarantor" has the meaning assigned to that term in the preamble of these Special Conditions.
- (g) "Escrow Payment" means the payment made by the Bank to a trust, escrow account, or any other form of account or fund under administration for the benefit of the Guaranteed Creditor, in accordance with Section 2.07 of these Special Conditions and with the Guarantee Contract.
- (h) "Early Disbursement Event of the Guarantee" has the meaning assigned to that term in Section 2.06 of these Special Conditions.
- (i) "Executing Agency" has the meaning assigned to that term in Section 5.02 of these Special Conditions.



- (j) "Final Amortization Date" means the last day of amortization of the Outstanding Payments, to be determined by the Bank in accordance with Section 3.01(b) of these Special Conditions, which shall not exceed twenty-five (25) years from the date of the Guarantee Contract.
- (k) "Guarantee" has the meaning assigned to that term in WHEREAS (B) of these Special Conditions.
- (l) "Guarantee Amount" means the total amount of two million, one hundred and thirty-seven thousand, two hundred and sixty Dollars (US\$2,137,260).
- (m) "Guarantee Contract" means the guarantee contract by which the Bank will grant the Guarantee to the Guaranteed Creditor to cover the Guaranteed Obligations under the Guaranteed Contract.
- (n) "Guarantee Fee" has the meaning assigned to that term in Section 2.04 of these Special Conditions.
- (o) "Guarantee Program" has the meaning assigned to that term in Section 1.01 of these Special Conditions.
- (p) "Guaranteed Contract" has the meaning assigned to that term in WHEREAS (A) of these Special Conditions.
- (q) "Guaranteed Creditor" has the meaning assigned to that term in WHEREAS (A) of these Special Conditions.
- (r) "Guaranteed Obligations" has the meaning assigned to that term in WHEREAS (B) of these Special Conditions.
- (s) "Guaranteed Payment" means any payment made by the Bank in accordance with the terms of the Guarantee Contract or any payment made by the Bank or on its behalf with respect to the Guarantee, including any Escrow Payment.
- (t) "Indemnified Parties" has the meaning assigned to the term in Section 4.02 of these Special Conditions.
- (u) "Legal Process" has the meaning assigned to the term in Section 4.02 of these Special Conditions.
- (v) "Maximum Guarantee Amount" means an amount equivalent to the Guarantee Amount minus the total amount of Guaranteed Payments made by the Bank, if any, under the Guarantee Contract.



- (w) "Non-Callable Guarantee Amount" means, if any, a total or partial portion of the Guarantee Amount that has not become callable under the Guarantee Contract once such Guarantee Contract has entered into force.
- (x) "Original WAL" means the WAL of the Guarantee Contract at the date of entry into force of the Guarantee.
- (y) "Outstanding Payments" has the meaning assigned to that term in Section 3.01(c) of these Special Conditions.
- (z) "Parties" has the meaning assigned to that term in the preamble of these Special Conditions.
- (aa) "Payment Date" has the meaning assigned to that term in Section 2.04 of these Special Conditions.
- (bb) "POM" means Project Operations Manual.
- (cc) "Project" has the meaning assigned to that term in Section 1.01 of these Special Conditions.
- (dd) "Stand-by Fee" has the meaning assigned to that term in Section 2.05 of these Special Conditions.
- (ee) "WAL" means the "weighted average life", a term expressed in years that will be calculated and determined by the Bank for the Guarantee, in accordance with the terms of the Flexible Financing Facility, which may not exceed fifteen point twenty-five (15.25) years.

## **CHAPTER II**

### **The Guarantee**

**SECTION 2.01.**     **Main Characteristics of the Guarantee.** Amongst other terms to be set forth in the Guarantee Contract, the Guarantee will be subject, as a minimum, to the following terms and conditions:

- (a) It will not exceed the Guarantee Amount;
- (b) It will have an expiration date of up to twenty-five (25) years, and a WAL of up to fifteen point twenty-five (15.25) years from the entry into force of the Guarantee Contract; and
- (c) It will not cover debt acceleration, meaning that any disbursements made under the Guarantee will follow the original repayment schedule of the Guaranteed Contract, if applicable.

**SECTION 2.02**      **Conditions Precedent to the Issuance of the Guarantee.** The Bank shall enter into the Guarantee Contract for the issuance of the Guarantee, subject to the fulfillment, to the satisfaction of the Bank, of the following conditions:

- (a) That this Contract has entered into force and that the Bank has received one or more well-founded legal opinions from the Counter-Guarantor which establish, with citations of the pertinent constitutional, legal, and regulatory provisions, that: (i) this Contract complies with the laws of Belize and does not violate any constitutional, legal or regulatory provisions of Belize; and (ii) the obligations undertaken by the Counter-Guarantor in this Contract are valid and enforceable. Such opinions shall also refer to any other legal question that the Bank may deem relevant;
- (b) The Bank is, at its sole discretion, in agreement with the terms and conditions of both the Guaranteed Contract and the Guarantee Contract;
- (c) The Counter-Guarantor or Executing Agency, as the case may be, shall have demonstrated to the Bank that it has an adequate financial information system and internal control structure for the purposes indicated in this Contract;
- (d) The Counter-Guarantor is in compliance with all the obligations provided under this Contract, and (ii) is up to date with any payment obligation that may be applicable under this Contract and/or any other contract entered into with the Bank; and
- (e) The Counter-Guarantor is a member of the Bank.

**SECTION 2.03**      **Payments under the Guarantee.** The Counter-Guarantor irrevocably authorizes the Bank to make any Guaranteed Payment in favor of the Guaranteed Creditor in accordance with the provisions of the Guarantee Contract as a consequence of: (i) the reception by the Bank of a notice from the Guaranteed Creditor requesting payment (Payment Demand) and/or (ii) the reception by the Bank of a notice from the Counter-Guarantor notifying that it will not comply, or be able to comply, with its corresponding payment obligations under the Guaranteed Contract, whereby the Bank may deem such notification to be a request for payment (Payment Demand) under the Guaranteed Contract. The Bank may rely on the information contained in the above-mentioned notices (including the amounts) to make any Guaranteed Payment and the Bank will not be required to make any investigation as to whether the information contained in said payment notification is correct.

**SECTION 2.04**      **Guarantee Fee.** During the life of the Guarantee, the Counter-Guarantor will pay the Bank a guarantee fee (hereinafter, the "Guarantee Fee") on the basis of the Callable Guarantee Amount. This Guarantee Fee will be calculated by the Bank using the variable lending spread applicable to sovereign guaranteed loans granted by the Bank financed with resources from the Bank's ordinary capital. The Guarantee Fee shall be paid by the Counter-Guarantor semi-annually, and the first payment shall be due on the expiration date of the six-month (6-month) period following the date of entry into force of the Guarantee Contract. If the expiration date of the period for the first Guarantee Fee payment does not fall on the fifteenth (15th) day of the



month, the first payment shall be made on the fifteenth (15th) day of the month immediately preceding the expiration date of such period (this date individually, "Payment Date" and, together with the dates that occur successively at the expiration of a six-month period (6-month), "Payment Dates"). The Guarantee Fee will be calculated based on the exact number of days of each semester period.

**SECTION 2.05**      **Stand-by Fee.** The Counter-Guarantor shall pay the Bank a stand-by fee (hereinafter, the "Stand-by Fee") that will be calculated as a daily percentage of the Non-Callable Guarantee Amount, if any, at a percentage to be set by the Bank periodically during its review of financial charges applicable to ordinary capital loans. The Stand-by Fee shall not exceed 0.75% per annum and will begin to accrue from the date of signature of the Guarantee Contract until the date in which the Guarantee Amount is one hundred percent (100%) callable. The Stand-by Fee will be paid semi-annually on each Payment Date and will be calculated based on the exact number of days of each semester period.

**SECTION 2.06.**      **Early Disbursement Events of the Guarantee.** (a) The Bank may make an early disbursement of the Guarantee through a deposit in an escrow account (hereinafter referred to as the "Escrow Payment"), nominated by and for the benefit of the Guaranteed Creditor, in the following cases (each of them, hereinafter referred to as an "Early Disbursement Event of the Guarantee"):

- (i) In case of any delay in the payment of any amounts that the Counter-Guarantor owes the Bank by virtue of this Contract and/or by virtue of any other contract entered into between the Parties, including any loan contract or a derivative contract, and said non-compliance has not been corrected within a period of sixty (60) days;
- (ii) The Bank determines that any employee, agent, or representative of the Counter-Guarantor and/or of the Executing Agency, in connection with the Guarantee Program, engaged in a Prohibit Practice;
- (iii) The Bank determines, acting reasonably and, if applicable, following consultation with, and in consideration of any information from the Counter-Guarantor, that an employee, agent, or representative of the Counter-Guarantor has breached one or more of its obligations set forth in this Contract or in the POM, including but not limited to, any applicable environmental safeguard applicable by virtue of this Contract, and Corrective Action Plans have not been applied within a reasonable period of time;
- (iv) The withdrawal or suspension of the Counter-Guarantor from membership of the Bank.

(b) In the event that the Bank makes an Escrow Payment equivalent to the Maximum Amount of the Guarantee or the Callable Guarantee Amount, as applicable, the Bank's Guarantee will be canceled once the Guaranteed Creditor has been notified, in accordance with the provisions set forth in the Guarantee Contract. This deposit will constitute a Guaranteed Payment for the purposes of the provisions of Section 3.01 of this Contract.



**SECTION 2.07. Cancellation of the Guarantee.** If the Counter-Guarantor requests the Bank to partially or entirely cancel the Guarantee, such cancellation will be subject to the Bank's ability to perform the cancellation in accordance with the terms and conditions of the Guarantee Contract. In this case, the Bank will pass on to the Counter-Guarantor any costs incurred to cancel the Guarantee.

### **CHAPTER III** **Reimbursement of Claim**

**SECTION 3.01. Reimbursement of Claim.** (a) The Counter-Guarantor undertakes unconditionally and irrevocably to reimburse the Bank for any and all Guaranteed Payments immediately, within a period of no more than ninety (90) days, unless otherwise agreed to between the Parties, as established below.

(b) The Bank, through written agreement with the Counter-Guarantor, can agree to a different Amortization Schedule for the Guaranteed Payment(s). In any case, the agreed Amortization Schedule in relation to the Outstanding Payments may not exceed the remaining Original WAL nor the period set forth for the Final Amortization Date, and will be subject to other applicable parameters established by the Bank guarantee policy, the Flexible Financing Facility, and Chapter III of the General Conditions.

(c) As from the date of each Guaranteed Payment, the Counter-Guarantor shall pay the Bank interest on the total daily outstanding amount of Guaranteed Payment(s) that have not yet been reimbursed to the Bank (hereinafter referred to as the "Outstanding Payments"), at a rate determined pursuant to the provisions of Section 3.02 of these Special Conditions.

(d) Any Guaranteed Payment shall be treated, for all purposes, as a loan from the Bank to the Counter-Guarantor. Any delay by the Counter-Guarantor in the payment of the amounts that it owes to the Bank for: (i) Outstanding Payments; (ii) interests; (iii) transactional costs, and fees described in Sections 2.04 and 2.05 of these Special Conditions; or (iv) for payments required under any other provision of this Contract, may constitute a cause for suspension of disbursements in any other loan contract entered into between the Counter-Guarantor and the Bank as well as early maturity if said breach is not remedied within a period of sixty (60) days. Any and all other rights and prerogatives that the Bank has under said contracts may also apply. Moreover, the Events for Early Disbursement of the Guarantee will be considered causes for early maturity of this Contract if such events are not cured, to the satisfaction of the Bank, within a sixty (60) day period.

**SECTION 3.02. Interest.** (a) The Counter-Guarantor shall pay interest on the daily Outstanding Payments at a rate determined pursuant to the provisions of Article 3.03 of the General Conditions.

(b) Interest shall be payable by the Counter-Guarantor to the Bank semiannually. The first interest payment shall be due on the expiration date of the six-month (6-month) period following the effective date of the first Guaranteed Payment. If the expiration date of the period



for the first interest payment does not fall on the fifteenth (15<sup>th</sup>) day of the month, the first interest payment shall be made on the fifteenth (15<sup>th</sup>) day of the month immediately preceding the expiration date of such period.

**SECTION 3.03. Conversion.** The Counter-Guarantor may request Currency Conversions, Interest Rate Conversions and/or Commodity Conversions from the Bank at any time during the term of the Contract, as set forth in Chapter IV of the General Conditions.

(a) **Currency Conversion.** The Counter-Guarantor may request that a disbursement of all or part of the Outstanding Payments be converted to a Principal Currency or a Local Currency, which the Bank can efficiently obtain, subject to the Bank's operational and risk management considerations.

(b) **Interest Rate Conversion.** The Counter-Guarantor may request, with respect to all or part of the Outstanding Payments, that the LIBOR-Based Interest Rate be converted to a fixed interest rate or any other Interest Rate Conversion option requested by the Counter-Guarantor and accepted by the Bank.

(c) **Commodity Conversion.** The Counter-Guarantor may request the entering into Commodity Put Options and Commodity Call Options.

## **CHAPTER IV**

### **Representations, Warranties, and Indemnity**

**SECTION 4.01. Representations and Warranties.** The Counter-Guarantor represents and warrants to the Bank that:

- (a) The Guaranteed Contract complies with the requirements of the laws of Belize and does not violate any law, agreement, treaty, or regulation of Belize.
- (b) The Counter-Guarantor is duly authorized to enter into this Contract, which complies with all the requirements of the laws of Belize; and the obligations and commitments of the Counter-Guarantor derived from this Contract are valid and enforceable against it.

**SECTION 4.02. Indemnity.** (a) In addition to the reimbursement obligations established in this Contract, the Counter-Guarantor undertakes to indemnify and safeguard the Bank, related entities and their respective officers, directors, advisors, and other representatives (each and every one of these, referred to as the "Indemnified Parties"), for and with respect to any claim, administrative, judicial, arbitration or regulatory process, investigation, claim and/or audit (any of these referred to as a "Legal Process") in which they may be involved, directly or indirectly, and for any obligation, loss, damage, cost or expense that they may incur or suffer, directly or indirectly, in relation to, or as a consequence of: (i) the issuing of the Guarantee, or (ii) the signing of the Guarantee Contract. Likewise, the Counter-Guarantor will reimburse the Indemnified Parties for any damages, expenses and costs (including, without limitation, the fees and costs of

external legal counsel) as incurred, in relation to or as a result of any of the grounds for compensation described above, including, without limitation, the costs associated with the participation of any Indemnified Party in a Legal Process, and/or the investigation, preparation of a response, and presentation and development of a defense, with respect to any Legal Process.

## **CHAPTER V**

### **Execution of the Guarantee Program and of the Project**

**SECTION 5.01. Utilization of the Resources of the Guarantee Program.** (a) The Guarantee Program is designed to support the participation of the Counter-Guarantor in the COVAX mechanism, administered by the Guaranteed Creditor, with the objective of facilitating the Counter-Guarantor's access to safe and effective doses of vaccines against COVID-19.

(b) The resources of the Guarantee Program may only be used to pay expenses under the Guaranteed Contract that: (i) are necessary for the Guarantee Program and are in accordance with its objectives; (ii) are carried out in accordance with the provisions of this Contract and Bank policies; (iii) are adequately recorded and documented in the Counter-Guarantor's or Executing Agency's system; and (iv) are incurred after March 10<sup>th</sup>, 2021 and before the expiration of the Guarantee; such expenses are hereinafter referred to as "Eligible Expenditures."

**SECTION 5.02. Executing Agency.** The Counter-Guarantor, acting through its Ministry of Health and Wellness, shall be the Executing Agency of the Project.

**SECTION 5.03. Procurement.** The execution of the Guarantee Program will be subject to the Procurement Policies and the Consultant Policies of the Bank. Such policies require that goods, works and services financed by the Guarantee will be procured with due attention to economy and efficiency principles and that such procedures cause the Guarantee Program to be carried out diligently and efficiently. Said goods, works and services must comply with three aspects: (i) be of a satisfactory quality and compatible with the balance of the Guarantee Program objectives; (ii) be delivered and completed in a timely fashion; and (iii) be priced so as not to affect adversely the economic and financial viability of the Guarantee Program.

**SECTION 5.04. Other Documents Governing Project Execution.** The Parties agree that the Project execution shall be governed by the provisions of this Contract, contract 5233/OC-BL and those established in the Project Operations Manual (POM). If any provision of this Contract or contract 5233/OC-BL should present any inconsistency or contradiction with the POM, the relevant provision of this Contract or of contract 5233/OC-BL 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.



## **CHAPTER VI**

### **Supervision and Evaluation**

**SECTION 6.01. Supervision of Execution and Evaluation of Results.** For purposes of Article 6.02 of the General Conditions, the documents that, as of the date of signature of this Contract, have been identified as necessary to supervise progress in the execution of the Project are:

- (i) The Results Matrix (RM). The RM states the Project's objectives and presents the key outcome and impact indicators (baseline and targets) that will measure the attainment of the specific objectives, as well as the output indicators to monitor Project's implementation. It reflects the Project's theory of change to achieve expected results and is a fundamental tool to guide project's planning, monitoring and evaluation.
- (ii) Semi-annual progress reports. The Executing Agency is responsible for submitting to the Bank semi-annual progress reports within sixty (60) days prior to the end of each semester. These reports will detail advances in Project's implementation and will include: physical and financial progress of outputs; progress of the activities contemplated in the Annual Operating Plan (AOP); status of the procurement and contracting processes; compliance with environmental and social safeguards; risks assessment; and update of the planning and monitoring tools, including the Results Matrix.
- (iii) Pluriannual Execution Plan (PEP). It is a dynamic planning tool that lists the actions that will be carried out during the entire period of execution of the Project. The PEP specifies the available resources and time frame for the implementation of each Project's activities and associated products and identifies critical milestones to be monitored for the achievement of products. An updated PEP will be part of each semi-annual progress report.
- (iv) Annual Operational Plan (AOP). It constitutes the Project's activities planning instrument for each year. The AOP includes physical and financial progress from the previous period, the Results Matrix updated, planning for the next period, disbursement projections, Risk Matrix updated, among others. The updated AOP will be part of each semi-annual progress report.
- (v) Regular situation reports. The Executing Agency will produce daily epidemiological reports to inform about case incidence and contacts monitoring. These reports will be a source of information for the semi-annual progress reports, RM and PMR.

**SECTION 6.02. Supervision of the Financial Management of the Project.** (a) For purposes of Article 6.03 of the General Conditions, as of the date of signature of this Contract, the following external audit financial reports and other reports have been identified as necessary to supervise the financial management of the Project: (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 6.03(a) of the General Conditions, the fiscal year of the Project is the period between April 1 and March 31 of each year.

## **CHAPTER VII**

### **Miscellaneous Provisions**

**SECTION 7.01.**      **Entry into Effect of the Contract.** This Contract shall enter into effect on the signature date.

**SECTION 7.02.**      **Communications and Notices.** (a) Any notice, request, communication, or report from one Party to another by virtue of this Contract related to the execution of the Guarantee Program or 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 Counter-Guarantor, unless the Parties agree otherwise.

For the Counter-Guarantor:

Mailing address:

Financial Secretary  
Government of Belize  
Ministry of Finance  
Sir Edney Cain Building  
Belmopan, Belize

Facsimile: (501) 822-2886

Email address: joseph.waight@mof.gov.bz



For the Executing Agency:

Mailing address:

Ministry of Health and Wellness  
East Block, Independence Plaza,  
Belmopan, Belize

Facsimile: (501) 822-2942

Email address: ceomohw@health.gov.bz

For the Bank:

Mailing address:

Inter-American Development Bank  
Country Office in Belize  
1024 Newton Barracks 101, 1<sup>st</sup> Floor 101  
Marina Towers Building  
Belize City, Belize

Facsimile: (501) 221-5312

Email address: IDBBelize@iadb.org

(b) Any notice from one party to another by virtue of this Contract regarding matters other than those related to the execution of the 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 Counter-Guarantor, unless the Parties agree otherwise.

For the Counter-Guarantor:

Mailing address:

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

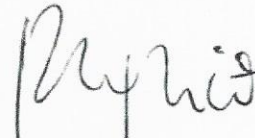
**IN WITNESS WHEREOF**, the Counter-Guarantor and the Bank, each acting through its authorized representative, have signed this Contract in Belmopan, Belize, on the date indicated above.

BELIZE



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

INTER-AMERICAN DEVELOPMENT  
BANK



Ramiro López Ghio  
Bank's Representative in Belize

**SOVEREIGN COUNTER-GUARANTEE CONTRACT**  
**GENERAL CONDITIONS**  
**February 2021**

**CHAPTER I**  
**Application and Interpretation**

**ARTICLE 1.01. Application of the General Conditions.** These General Conditions are uniformly applicable to sovereign counter-guarantee contracts entered into between the Bank and a member country for: (i) for the execution of investment programs financed with resources from contracts partially or totally guaranteed by the Bank; and (ii) the reimbursement to the Bank of any payments made under the related Guarantee.

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

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

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

**CHAPTER II**  
**Definitions**

**ARTICLE 2.01. Definitions.** Whenever the following terms are capitalized in this Contract or in the Guarantee Contract(s), if any, they shall have the meaning set forth below. Any reference to the singular includes the plural and vice versa. Any capitalized term used in the definition of “LIBOR Interest Rate” of this Article 2.01 and not otherwise defined herein shall have the meaning assigned to it in the 2006 ISDA Definitions, in accordance with the publication of the *International Swaps and Derivatives Association, Inc.*, as amended and supplemented, which is hereby incorporated into this Contract by reference.

1. “Additional Resources” means resources that are additional to those financed with resources from the Guaranteed Contract, which are necessary for the complete and uninterrupted execution of the Program.



2. "Amortization Schedule" means the schedule or schedules set forth in the Special Conditions for the payment of Outstanding Payments or any modified schedule resulting from a Conversion.
3. "Approval Currency" means the currency in which the Bank approves the Guarantee, which may be Dollars or any Local Currency.
4. "Bank" shall have the meaning assigned to it in the Special Conditions.
5. "Bank's Cost of Funding" means a cost margin calculated quarterly relative to a three-month (3-month) LIBOR Interest Rate in Dollars, using the weighted average cost of funding instruments applicable to the Flexible Financing Facility, expressed in terms of an annual percentage, as determined by the Bank.
6. "Base Interest Rate" means the rate determined by the Bank at the time of a Conversion execution (other than a Commodity Conversion), based on: (i) the currency requested by the Counter-Guarantor; (ii) the type of interest rate requested by the Counter-Guarantor; (iii) the Amortization Schedule; (iv) the existing market conditions; and (v) one of the following, among others: (1) the three-month (3-month) LIBOR Interest Rate in Dollars plus a margin reflecting the Bank's estimated cost of funding in Dollars at the time of Conversion; (2) the Bank's actual cost of funding used as a basis for the Conversion; (3) the relevant interest rate index plus a margin reflecting the Bank's estimated cost of funding in the requested currency at the time of disbursement or Conversion; or (4) with respect to Outstanding Payments that have been subject to a previous Conversion (other than a Commodity Conversion), the interest rate in effect for such Outstanding Payments.
7. "Board" means the Board of Executive Directors of the Bank.
8. "Business Day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City or, in the case of a Conversion, in the cities listed in the Conversion Notification Letter.
9. "Calculation Agent" means the Bank, except for the use of such term in the definition of LIBOR Interest Rate, in which case it will have the meaning assigned to it in the 2006 ISDA Definitions, in accordance with the publication of the *International Swaps and Derivatives Association, Inc.*, as amended and supplemented. Any determination made by the Calculation Agent shall be final, conclusive, and binding on the Parties (except in the case of manifest error), and, if made by the Bank as Calculation Agent, shall be duly documented and made in good faith and in a commercially reasonable manner.



10. "Cash Settlement Amount" has the meaning assigned to it in Articles 4.11(b), (c) and (d) of these General Conditions.
11. "Commodity Call Option" means, with respect to all or part of a Required Outstanding Balance, a cash-settled call option exercisable by the Counter-Guarantor as contemplated in Article 4.11 of these General Conditions.
12. "Commodity Conversion" means, with respect to all or part of a Required Outstanding Payments, the entry into a Commodity Put Option or a Commodity Call Option pursuant to Article 5.01 of these General Conditions.
13. "Commodity Conversion Date" means the date of entry into a Commodity Conversion. This date shall be set forth in the Conversion Notification Letter.
14. "Commodity Conversion Maturity Date" means the Business Day on which the Commodity Option matures. This date shall be set forth in the Conversion Notification Letter.
15. "Commodity Conversion Settlement Date" means, with respect to a Commodity Conversion, the date on which the Cash Settlement Amount thereof is required to be paid, which shall be that date occurring five (5) Business Days following a Commodity Conversion Maturity Date unless otherwise agreed to by the Parties and specified in the Conversion Notification Letter.
16. "Commodity Option" shall have the meaning assigned to it in Article 4.11(a) of these General Conditions.
17. "Commodity Put Option" means, with respect to all or part of a Required Outstanding Payments, a cash-settled put option exercisable by the Counter-Guarantor as contemplated in Article 4.11 of these General Conditions.
18. "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 Guarantee by the Bank.
19. "Contract" means this counter-guarantee contract.
20. "Contracting Agency" means the entity with legal capacity to enter into contracts, and which, in agreement with the Counter-Guarantor or the Executing Agency, as the case may be, assumes all or part of the responsibility for the procurement of goods or works, consulting services or non-consulting services for the Project.
21. "Conversion" means a modification of the terms of all or any portion of the Outstanding Payments as requested by the Counter-Guarantor and accepted by the

Bank, under the terms of this Contract, which may be: (i) a Currency Conversion; (ii) an Interest Rate Conversion; or (iii) a Commodity Conversion.

22. "Conversion Date" means the Currency Conversion Date, the Interest Rate Conversion Date or the Commodity Conversion Date, as the case may be.
23. "Conversion Notification Letter" means the communication by which the Bank informs the Counter-Guarantor of the financial terms and conditions upon which a Conversion has been effected, in accordance with the Conversion Request Letter sent by the Counter-Guarantor.
24. "Conversion Period" means, with respect to any Conversion (other than a Commodity Conversion), the period between the Conversion Date and the last day of the interest period in which the Conversion ends, pursuant to its terms. Notwithstanding the foregoing, for purposes of the last payment of principal and interest, the Conversion Period shall end on the day on which interest corresponding to such interest period is paid.
25. "Conversion Request Letter" means the irrevocable communication of the Counter-Guarantor to the Bank requesting a Conversion, pursuant to Article 5.01 of these General Conditions.
26. "Converted Currency" means any Local Currency or Principal Currency in which all or part of the Outstanding Payment is denominated after a Currency Conversion has been effected.
27. "Core Procurement Principles" means the principles that guide the procurement activities and the selection processes pursuant to the Procurement Policies and the Consultant Policies, being the following: value for money, economy, efficiency, equality, transparency, and integrity.
28. "Counter-Guarantor" shall have the meaning assigned to it in the Special Conditions.
29. "Currency Conversion" means, with respect to all or part of an Outstanding Payment, a change in the currency of denomination to a Local Currency or a Principal Currency.
30. "Currency Conversion Date" means the date on which all or part of the Outstanding Payments is redenominated. This date shall be set forth in the Conversion Notification Letter.
31. "Derivative Contract" means any contract entered into between the Bank and the Counter-Guarantor to document and/or confirm one or more derivative transactions agreed to between the Bank and the Counter-Guarantor, including any subsequent



amendments thereto. All attachments and other supplemental agreements to a Derivative Contract shall form an integral part thereof.

- 32. "Dollar" means the legal tender of the United States of America.
- 33. "Eligible Expenditure" shall have the meaning assigned to it in the Special Conditions.
- 34. "Executing Agency" means the entity with legal capacity responsible for executing the Program and for using the proceeds of the Guaranteed Contract. 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."
- 35. "Execution Period" means the period in Business Days during which the Bank may effect a Conversion as determined by the Counter-Guarantor in the Conversion Request Letter. The Execution Period starts on the day the Bank receives the Conversion Request Letter.
- 36. "Final Amortization Date" shall have the meaning assigned to it in the Special Conditions.
- 37. "Financial Plan" means a tool for planning and monitoring the cash flows of the Program, which is used in coordination with other program planning tools, including the Procurement Plan.
- 38. "Flexible Financing Facility" means the financial platform the Bank uses to provide sovereign-guaranteed loans chargeable to the resources of the Bank's ordinary capital.
- 39. "Full-Term Commodity Conversion" means a Commodity Conversion whose Commodity Conversion Maturity Date coincides with the Final Amortization Date.
- 40. "Full-Term Currency Conversion" means a Currency Conversion for a Conversion Period equal to the period set forth in the Amortization Schedule requested for such Currency Conversion, pursuant to Article 4.03 of these General Conditions.
- 41. "Full-Term Interest Rate Conversion" means an Interest Rate Conversion for a Conversion Period equal to the period set forth in the Amortization Schedule requested for such Interest Rate Conversion, pursuant to Article 4.04 of these General Conditions.
- 42. "General Conditions" mean the entirety of articles which comprise the second part of this Contract.
- 43. "Guarantee" shall have the meaning assigned to it in the Special Conditions.

44. "Guaranteed Contract" shall have the meaning assigned to it in the Special Conditions.
45. "Interest Rate Calculation Convention" means the convention regarding the number of days used to calculate interest payments, as set forth in the Conversion Notification Letter.
46. "Interest Rate Cap" means the establishment of an upper limit for a variable interest rate.
47. "Interest Rate Collar" means the establishment of an upper and a lower limit for a variable interest rate.
48. "Interest Rate Conversion" means: (i) a change of interest rate type with respect to all or part of the Outstanding Payments; (ii) the establishment of an Interest Rate Cap or an Interest Rate Collar with respect to all or part of the Outstanding Payments; or (iii) any other hedging option that affects the interest rate applicable to all or part of the Outstanding Payments.
49. "Interest Rate Conversion Date" means the effective date of the Interest Rate Conversion upon which the new interest rate applies. This date shall be set forth in the Conversion Notification Letter.
50. "Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter" means the 15th day of the months of January, April, July, and October of each calendar year. The LIBOR-Based Interest Rate determined by the Bank on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter shall apply retroactively to the first fifteen (15) days of the respective Quarter, and shall continue to apply through and including the last day of the Quarter.
51. "LIBOR-Based Interest Rate" means the sum of the LIBOR Interest Rate and the Bank's Cost of Funding, determined on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter.
52. "LIBOR Interest Rate" means the "USD-LIBOR-ICE," which is the rate administered by the ICE Benchmark Administration (or any other entity which takes over the administration of that rate) for deposits in Dollars for a period of three (3) months that appears on the relevant page of the pages Bloomberg Financial Markets Service or Reuters Service, or, if unavailable, on the relevant page of any other service selected by the Bank that displays such rate, as of 11:00 a.m., London time, on the day that is two (2) London Banking Days preceding the Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter. If such LIBOR Interest Rate does not appear on the relevant page, the LIBOR Interest Rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be determined as if the Parties had



specified “USD-LIBOR-Reference Banks” as the applicable LIBOR Interest Rate. For these purposes, “USD-LIBOR-Reference Banks” means that the LIBOR Interest Rate for an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be determined on the basis of the rates at which deposits in Dollars are offered by the Reference Banks at approximately 11:00 a.m., London time, on a day that is two (2) London Banking Days preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter to prime banks on the London interbank market for a period of three (3) months, commencing on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter and in a Representative Amount. The Calculation Agent or Agents utilized by the Bank will request the principal London office of each of the Reference Banks to provide a quotation of the LIBOR Interest Rate. If at least two (2) quotations are provided, the LIBOR Interest Rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be the arithmetic mean of the quotations. If fewer than two (2) quotations are provided as requested, the LIBOR Interest Rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be the arithmetic mean of the rates quoted by the major banks in New York City, selected by the Calculation Agent or Agents utilized by the Bank, at approximately 11:00 a.m., New York City time, for loans in Dollars to the leading European banks for a period of three (3) months commencing on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter and in a Representative Amount. If more than one Calculation Agent provides a LIBOR Interest Rate to the Bank as a result of the procedure described above, the Bank will determine, at its own discretion, the applicable LIBOR Interest Rate on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter, based on the interest rates received from the Calculation Agents. For purposes of the foregoing provision, if the Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter is not a Banking Day in New York City, the LIBOR Interest Rates quoted on the first day immediately thereafter which is a Banking Day in New York City shall be utilized.

- 53. “Local Currency” means any currency other than the Dollar that is legal tender in the countries of Latin America and the Caribbean.
- 54. “Notional Quantity” means, with respect to a Commodity Conversion, the number of units of the underlying commodity.
- 55. “Option Type” means the type of Commodity Option for which the Bank could, subject to market availability, operational and risk management considerations, execute a Commodity Conversion, including but not limited to, European, fixed-strike arithmetic Asian and binary options.
- 56. “Original WAL” shall have the meaning assigned to it in the Special Conditions.

57. "Outstanding Payment" shall have the meaning assigned to it in the Special Conditions.
58. "Partial-Term Commodity Conversion" means a Commodity Conversion whose Commodity Conversion Maturity Date occurs prior to the Final Amortization Date.
59. "Partial-Term Currency Conversion" means a Currency Conversion for a shorter Conversion Period than the period set forth in the Amortization Schedule requested for such Currency Conversion, pursuant to Article 4.03 of these General Conditions.
60. "Partial-Term Interest Rate Conversion" means an Interest Rate Conversion for a shorter Conversion Period than the period set forth in the Amortization Schedule requested for such Interest Rate Conversion, pursuant to Article 4.04 of these General Conditions.
61. "Parties" shall have the meaning assigned to it in the introduction to the Special Conditions.
62. "Payment Valuation Date" means a date that is determined based on a number of Business Days prior to any amortization or interest payment date, as specified in a Conversion Notification Letter.
63. "Principal Currency" means any currency other than the Dollar or Local Currency that is legal tender in the member countries of the Bank.
64. "Procurement Plan" means a tool for programming and monitoring the procurement related to the Program, in the terms described in the Special Conditions, Procurement Policies, and Consultant Policies.
65. "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 Guarantee by the Bank.
66. "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 Counter-Guarantor, including among others: corrupt practice, fraudulent practice, coercive practice, collusive practice, obstructive practice, and misappropriation.
67. "Program" means the program identified in the Special Conditions comprising a set of activities with a development objective that are financed by proceeds of the Guaranteed Contract.



- 68. "Quarter" means each of the following three-month (3-month) periods of the calendar year: the period beginning on January 1 and ending on March 31; the period beginning on April 1 and ending on June 30; the period beginning on July 1 and ending on September 30; and the period beginning on October 1 and ending on December 31.
- 69. "Required Outstanding Balance" has the meaning assigned to it in Article 4.02(f) of these General Conditions.
- 70. "Semester" means the first or second six (6) months of a calendar year.
- 71. "Settlement Currency" means the currency used to settle the Outstanding Payments' principal and interest payments. For fully deliverable currencies, the Settlement Currency shall be the Converted Currency. For non-deliverable currencies, the Settlement Currency shall be the Dollar.
- 72. "Special Conditions" mean the entirety of provisions which comprise the first part of this Contract.
- 73. "Specified Price" means the price of the underlying commodity according to the Underlying Commodity Index on the Commodity Conversion Maturity Date except that, for certain Option Types, such price will be calculated on the basis of a formula to be determined in the Conversion Notification Letter.
- 74. "Strike Price" means, with respect to a Commodity Conversion, the fixed price at which (i) the owner of a Commodity Call Option is entitled to purchase, or (ii) the owner of a Commodity Put Option is entitled to sell, the underlying commodity (on a cash-settled basis).
- 75. "Underlying Commodity Index" means a published index that is a measure of the price of the underlying commodity that is the subject of a Commodity Option. The source and calculation of the Underlying Commodity Index will be set forth in the Conversion Notification Letter. If the Underlying Commodity Index relating to a commodity is (i) not calculated and announced by the sponsor thereof in effect on the Commodity Conversion Date but is calculated and announced by a successor sponsor acceptable to the Calculation Agent; or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Underlying Commodity Index, then in each case that index will be the Underlying Commodity Index.
- 76. "Valuation Exchange Rate" is equal to the number of units of the Converted Currency per Dollar, applicable on each Payment Valuation Date, pursuant to the source established in the Conversion Notification Letter.
- 77. "WAL" shall have the meaning assigned to it in the Special Conditions.



### CHAPTER III

#### **Amortization, Interest, Fees, Inspection and Supervision, and Prepayments**

**ARTICLE 3.01. Dates of Payment of Amortization, Interest, Fees, and Other Costs.** The Outstanding Payments will be amortized in accordance with the Amortization Schedule. Interest and amortization installments will be paid on the fifteenth (15<sup>th</sup>) day of the month, as set forth in the Special Conditions or in a Conversion Notification Letter, as the case may be. The Guarantee Fee shall be paid on the fifteenth (15<sup>th</sup>) day of the month as set forth in the Special Conditions. The Stand-by Fee shall be paid on the same dates as the Guarantee Fee.

**ARTICLE 3.02. Interest.** (a) **Interest on Outstanding Payments that have not been subject to Conversion.** To the extent that the Outstanding Payments have not been subject to any Conversion, the Counter-Guarantor shall pay interest on daily Outstanding Payments at a LIBOR-Based Interest Rate plus the applicable lending spread for the Bank's ordinary capital loans. In this case, interest shall accrue at an annual rate for each Quarter as determined by the Bank on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter.

(b) **Interest on Outstanding Payments that have been Subject to Conversion.** If the Outstanding Payments have been subject to a Conversion, the Counter-Guarantor shall pay interest on the Outstanding Payments converted under such Conversion at: (i) the Base Interest Rate determined by the Bank; plus (ii) the applicable lending spread for the Bank's ordinary capital loans.

(c) **Interest on Outstanding Payments subject to an Interest Rate Cap.** If an Interest Rate Conversion has been effected to establish an Interest Rate Cap, and the interest rate payable by the Counter-Guarantor pursuant to this Article exceeds the Interest Rate Cap at any time during the Conversion Period, the maximum interest rate applicable during such Conversion Period shall be equal to the Interest Rate Cap.

(d) **Interest on Outstanding Payments Subject to an Interest Rate Collar.** If an Interest Rate Conversion has been effected to establish an Interest Rate Collar, and the interest rate payable by the Counter-Guarantor pursuant to this Article exceeds the upper limit or falls below the lower limit of the Interest Rate Collar at any time during the Conversion Period, the maximum interest rate applicable during such Conversion Period shall be equal to the upper limit of the Interest Rate Collar, and the minimum interest rate applicable during such Conversion Period shall be equal to the lower limit of the Interest Rate Collar.

(e) **Changes to the Interest Rate Calculation Basis.** The Parties agree that, notwithstanding any change in market practice that may, at any moment, affect the determination of the LIBOR Interest Rate, the interest rate applicable to the Outstanding Payments, if any, shall remain linked to the Bank's funding. For purposes of obtaining and maintaining such link under such circumstances, the Parties expressly agree that the Calculation Agent, seeking to reflect the Bank's corresponding funding, shall determine: (i) the occurrence of such changes; and (ii) the alternate base rate applicable to determine the appropriate amount to be paid by the Counter-Guarantor. The Calculation Agent shall notify the Counter-Guarantor of the applicable alternate



base rate with no less than sixty (60) days prior notice. The alternate base rate shall become effective on the expiration of such notice period.

**ARTICLE 3.03. Computation of Interest and Fees.** The interest and fees shall be calculated according to the exact number of days in the respective interest period.

**ARTICLE 3.04. Resources for Inspection and Supervision.** The Counter-Guarantor shall not be required to cover the Bank's expenses for general inspection and supervision, unless the Bank establishes otherwise prior to the expiration date of the Guarantee as a consequence of its periodic review of financial charges for ordinary capital loans, and notifies the Counter-Guarantor accordingly. In no case may the Bank charge for a specific semester more than the result of applying one percent (1%) of the Guarantee Amount divided by the number of semesters comprising the life of the Guarantee.

**ARTICLE 3.05. Currency of Payment for Amortization, Interest, and Fees.** The payments for amortization, interest, and fees shall always be made in Dollars, unless a Currency Conversion has been effected, in which case the provisions of Article 4.05 of these General Conditions shall apply. The fees and the inspection and supervision fee shall always be paid in the Approval Currency.

**ARTICLE 3.06. Prepayments.** (a) **Prepayment of Outstanding Payments denominated in Dollars with LIBOR-Based Interest Rate.** The Counter-Guarantor may prepay all or part of any Outstanding Payments denominated in Dollars subject to a LIBOR-Based Interest Rate on any interest payment date, provided that it delivers to the Bank a written irrevocable notice, at least thirty (30) days in advance. Any such prepayment shall be applied as set forth in Article 3.07 of these General Conditions. In the event that the prepayment does not cover the entire Outstanding Payments, the prepayment shall be applied proportionately to the remaining amortization installments, if any.

(b) **Prepayments of Amounts that have been Subject to Conversion.** Provided that the Bank is able to unwind or reallocate its corresponding funding (or any related hedge), the Counter-Guarantor, may prepay on any interest payment date set forth in the Amortization Schedule attached to the Conversion Notification Letter: (i) all or part of the amount that has been subject to a Currency Conversion; (ii) all or part of the amount that has been subject to an Interest Rate Conversion; and/or (iii) all or part of an amount equivalent to the Required Outstanding Balance under a Commodity Conversion. For this purpose, the Counter-Guarantor shall deliver an irrevocable written notice to the Bank at least thirty (30) days in advance. Said notice shall specify the amount the Counter-Guarantor intends to prepay and the Conversions to which such prepayment relates. In the event that the prepayment does not cover the full amount of the Outstanding Payments related to such Conversion, the prepayment shall be applied proportionately to the remaining amortization installments of such Conversion. The Counter-Guarantor may not prepay converted amounts in an amount less than the equivalent of three million Dollars (US\$3,000,000), unless the remaining Outstanding Payments related to the respective Conversion is less than such amount and is paid in full.



(c) For purposes of paragraphs (a) and (b) above, the following payments shall be considered as prepayments: payments resulting from all or a part of the Outstanding Payments being declared immediately due and payable, pursuant to the Special Conditions.

(d) Notwithstanding paragraph (b) above, in the event of a prepayment, the Counter-Guarantor shall receive from the Bank, or alternatively, shall pay the Bank, as applicable, any gain or cost incurred by the Bank as a result of unwinding or reallocating its corresponding funding (or any related hedge), as determined by the Calculation Agent. In the case of a gain, it will be credited first to any amounts due and payable by the Counter-Guarantor. In the case of a cost, the Counter-Guarantor shall pay the corresponding amount concurrently on the prepayment date.

**ARTICLE 3.07. Application of Payments.** All payments shall be applied first to the fees and interest due on the payment date, and if a balance exists, to the payment of Outstanding Payments.

**ARTICLE 3.08. Transactions Falling Due on Non-Business Days.** Any payment or other transaction which, pursuant to this Contract, should be effected on a day other than a Business Day, shall be considered validly effected if made on the first Business Day immediately thereafter, and in such case no penalty whatsoever shall apply.

**ARTICLE 3.09. Place of Payments.** All payments shall be made at the principal office of the Bank in Washington, District of Columbia, United States of America, unless the Bank designates another place or places for this purpose by written notification to the Counter-Guarantor.

## **CHAPTER IV**

### **Conversions**

**ARTICLE 4.01. Exercise of Conversion Options.** (a) The Counter-Guarantor may request a Currency Conversion, an Interest Rate Conversion or a Commodity Conversion by delivering to the Bank an irrevocable Conversion Request Letter in form and substance satisfactory to the Bank, indicating the financial terms and conditions requested by the Counter-Guarantor for the respective Conversion. The Bank may provide the Counter-Guarantor with a model Conversion Request Letter.

(b) The Conversion Request Letter shall be signed by a duly authorized representative of the Counter-Guarantor, and shall contain at least the following information:

- (i) **For all Conversions.** (A) operation number; (B) amount subject to Conversion; (C) Conversion type (Currency Conversion, Interest Rate Conversion or Commodity Conversion); (D) account number where funds shall be deposited, if applicable; and (E) Interest Rate Calculation Convention.
- (ii) **For Currency Conversions.** (A) currency into which the Counter-Guarantor requests to convert the Outstanding Payments; (B) Amortization Schedule associated with such Currency Conversion, which may have an



amortization period equal to or less than the Final Amortization Date; (C) the portion of the Outstanding Payments to which the Conversion shall apply; (D) the type of interest rate applicable to the amounts subject to the Currency Conversion; (E) whether the Currency Conversion is a Partial-term Conversion or a Full-term Conversion; (F) Settlement Currency; (G) Execution Period; and (H) any other instructions regarding the Currency Conversion request.

(iii) **For Interest Rate Conversions.** (A) type of interest rate requested; (B) the portion of the Outstanding Payments to which the Interest Rate Conversion shall apply; (C) whether the Interest Rate Conversion is a Partial-term Interest Rate Conversion or a Full-term Interest Rate Conversion; (D) the Amortization Schedule associated with the Interest Rate Conversion, which may have an amortization period equal to or less than the Final Amortization Date; (E) for Interest Rate Conversions establishing an Interest Rate Cap or an Interest Rate Collar, the applicable upper and/or lower limits, as the case may be; and (F) any other instructions regarding the Interest Rate Conversion request.

(iv) **For Commodity Conversions.** (A) whether a Commodity Put Option or Commodity Call Option is requested; (B) the Option Type; (C) the identity of the commodity that is the subject of such Commodity Conversion (including the physical properties thereof); (D) the Notional Quantity; (E) the Underlying Commodity Index; (F) the Strike Price; (G) the Commodity Conversion Maturity Date; (H) whether the Conversion is a Full-Term Commodity Conversion or a Partial-Term Commodity Conversion; (I) the formula for the determination of the Cash Settlement Amount, if applicable; (J) the Required Outstanding Balance; (K) a specification of the bank account information where the Cash Settlement Amount, if any, will be paid by the Bank to the Counter-Guarantor on the Commodity Conversion Settlement Date; (L) at the option of the Counter-Guarantor, the maximum amount of premium it is willing to pay to enter into a Commodity Conversion given a certain Notional Quantity and Strike Price, as contemplated in paragraph (e) below; and (M) any other instructions regarding the Commodity Conversion request.

(c) Any principal amount payable during the period of fifteen (15) days prior to the beginning of the Execution Period until and including the Conversion Date may not be subject to a Conversion and shall be paid pursuant to the terms applicable prior to the execution of the Conversion.

(d) Once the Bank has received a Conversion Request Letter, it will proceed to review the same. If the Bank finds such letter acceptable, it will effect the Conversion during the Execution Period pursuant to the terms of this Chapter V. Once the Conversion has been effected, the Bank



will deliver a Conversion Notification Letter to the Counter-Guarantor indicating the financial terms and conditions of the Conversion.

(e) With respect to Commodity Conversions, the Counter-Guarantor may indicate in the Conversion Request Letter the maximum amount of premium it is willing to pay to enter into a Commodity Conversion given a certain Notional Quantity and Strike Price. If no limit is specified, the Bank may execute the related commodity hedge at the prevailing premium market price. Alternatively, at a given Dollar premium amount and a defined Strike Price, the Counter-Guarantor may instruct the Bank to execute the related commodity hedge. The resulting Notional Quantity will reflect market conditions at the time of execution.

(f) If the Bank determines that the Conversion Request Letter does not comply with the requirements provided in this Contract, it shall so notify the Counter-Guarantor during the Execution Period. The Counter-Guarantor may deliver a new Conversion Request Letter, in which case the Execution Period for this Conversion will start from the time the Bank receives the new Conversion Request Letter.

(g) If the Bank cannot effect the Conversion pursuant to the terms requested by the Counter-Guarantor in the Conversion Request Letter within the Execution Period, such Conversion Request Letter shall be considered null and void, without prejudice to the Counter-Guarantor's right to deliver a new Conversion Request Letter.

(h) If a national or international catastrophe, a financial or economic crisis, a change in the capital markets, or any other extraordinary circumstance occurs during the Execution Period that, in the opinion of the Bank, may have a material negative impact on its ability to effect a Conversion or enter into a related funding or hedge, the Bank shall so notify the Counter-Guarantor and agree on the actions to be taken regarding the Conversion Request Letter.

**ARTICLE 4.02. Conversion Requirements.** Any Conversion shall be subject to the following requirements:

- (a) The feasibility of the Bank to execute any Conversion will depend on the ability of the Bank to source its funding or, if applicable, on the ability of the Bank to enter into any hedge on terms and conditions acceptable to the Bank in its sole discretion, in accordance with its policies, and will be subject to legal, operational, and risk management considerations and prevailing market conditions.
- (b) The Bank will not execute Conversions on amounts that are less than the equivalent of three million Dollars (US\$3,000,000).
- (c) The number of Currency Conversions to Principal Currencies may not exceed four (4) during the term of this Contract. This limit shall not apply to Currency Conversions to Local Currency.
- (d) The number of Interest Rate Conversions may not exceed four (4) during the term of this Contract.



- (e) There will be no limit to the number of Commodity Conversions that can be executed during the term of this Contract.
- (f) Each Commodity Conversion will only be executed by the Bank in relation to Outstanding Payments in accordance with the following formula (hereinafter, the "Required Outstanding Balance"):
  - (i) For Commodity Call Options, the Required Outstanding Balance will be the Notional Quantity \* (Z – Strike Price), where Z is the highest expected forward commodity price at the Commodity Conversion Maturity Date, for the relevant Option Type, as calculated by the Bank; and
  - (ii) For Commodity Put Options, the Required Outstanding Balance will be the Notional Quantity \* (Strike Price – Y), where Y is the lowest expected forward commodity price at the Commodity Conversion Maturity Date, for the relevant Option Type, as calculated by the Bank.
- (g) Any modification to the Amortization Schedule requested by the Counter-Guarantor at the time of requesting a Currency Conversion shall be subject to the provision of Article 4.03 (b) of these General Conditions, and to Bank's operational and risk management considerations. Any modification to the Amortization Schedule requested by the Counter-Guarantor at the time of requesting an Interest Rate Conversion shall be subject to the provision of Article 4.04(b) of these General Conditions, and to Bank's operational and risk management considerations. In any case, the new Amortization Schedule shall not exceed the remaining Original WAL nor the Final Amortization Date.
- (h) The Amortization Schedule defined in the Conversion Notification Letter, resulting from a Currency Conversion or Interest Rate Conversion may not be subsequently modified during the Conversion Period, unless the Bank agrees otherwise.
- (i) Unless the Bank agrees otherwise, an Interest Rate Conversion with respect to amounts that have been subject to a previous Currency Conversion may only be effected: (i) on the entire Outstanding Payments associated with such Currency Conversion; and (ii) for a term equal to the remaining term of such Currency Conversion.

**ARTICLE 4.03. Partial or Full-Term Currency Conversion.** (a) The Counter-Guarantor may request a Full-Term Currency Conversion or a Partial-Term Currency Conversion.

(b) A Full-Term Currency Conversion and a Partial-Term Currency Conversion may be requested and executed at any time until the Final Amortization Date. Notwithstanding the Outstanding Payments under the new Amortization Schedule, in the event it was requested, shall at no time exceed the Outstanding Payments under the original Amortization Schedule.

(c) In the case of a Partial-Term Currency Conversion, the Counter-Guarantor shall include in the Conversion Request Letter: (i) the Amortization Schedule for the period up to expiration of the Conversion Period; and (ii) the Amortization Schedule for the Outstanding Payments payable from the expiration of the Conversion Period to the Final Amortization Date, which shall correspond to the terms and conditions applicable prior to effecting the Currency Conversion.

(d) Prior to the expiration of a Partial-Term Currency Conversion, the Counter-Guarantor may request from the Bank one of the following options:

- (i) Effecting a new Currency Conversion, upon delivery of a new Conversion Request Letter not less than fifteen (15) Business Days prior to the expiration date of the Partial-Term Currency Conversion. Such new Currency Conversion will have the additional limitation that the Outstanding Payments under the new Amortization Schedule shall at no time exceed the Outstanding Payments under the Amortization Schedule requested in the original Partial-Term Currency Conversion. If, subject to market conditions, it is feasible to effect a new Conversion, the Outstanding Payments of the amount originally converted will continue to be denominated in the Converted Currency, applying the new Base Interest Rate that reflects prevailing market conditions at the time of effecting the new Conversion.
- (ii) The prepayment of the Outstanding Payments of the converted amount, by providing the Bank written notice at least thirty (30) days prior to the expiration date of the Partial-Term Currency Conversion. This prepayment shall be made on the expiration date of the Partial-Term Currency Conversion in the Settlement Currency pursuant to Article 4.05 of these General Conditions.

(e) For purposes of paragraph (d) of this Article 4.03, the Outstanding Payments originally subject to a Currency Conversion shall be automatically converted to Dollars on the expiration of the respective Partial-Term Currency Conversion, and shall be subject to the Interest Rate set forth in Article 3.02(a) of these General Conditions if: (i) the Bank is unable to effect a new Conversion; or (ii) fifteen (15) days before the expiration date of the Partial-Term Currency Conversion, the Bank has not received a request from the Counter-Guarantor pursuant to paragraph (d) of this Article 4.03; or (iii) on the expiration date of the Partial-Term Currency Conversion, the Counter-Guarantor fails to make the requested prepayment.

(f) If the Outstanding Payment originally subject to a Currency Conversion is converted to Dollars as provided in paragraph (e) above, the Bank, at the expiration of the Partial-Term Currency Conversion, shall inform the Counter-Guarantor of the amounts converted to Dollars and the applicable exchange rate determined by the Calculation Agent, based on prevailing market conditions.



(g) The Outstanding Payments converted to Dollars may be subject to a new Currency Conversion, subject to the provisions of this Chapter V.

(h) At the expiration of a Full-Term Currency Conversion, the Counter-Guarantor shall pay in full the Outstanding Payments of the converted amount in the Settlement Currency, pursuant to Article 5.05 of these General Conditions, and cannot request a new Currency Conversion.

(i) Within thirty (30) days from the date of cancellation or modification of a Currency Conversion, the Counter-Guarantor shall receive from the Bank, or alternatively, shall pay to the Bank, as applicable, the amounts corresponding to any gain or cost incurred by the Bank as a result of unwinding or reallocating its corresponding funding (or any related hedge) associated with the cancellation or modification of such Currency Conversion. In case of a gain, the amount will be credited first to any amounts due and payable by the Counter-Guarantor to the Bank.

**ARTICLE 4.04. Partial or Full-Term Interest Rate Conversion.** (a) The Counter-Guarantor may request a Full-Term Interest Rate Conversion or a Partial-Term Interest Rate Conversion.

(b) A Full-Term Interest Rate Conversion and a Partial-Term Interest Rate Conversion may be requested and executed at any time until the Final Amortization Date. Notwithstanding the Outstanding Payments under the new Amortization Schedule, in the event it has been requested, shall at no time exceed the Outstanding Payments under the original Amortization Schedule.

(c) In the case of a Partial-Term Interest Rate Conversion of amounts denominated in Dollars, the Counter-Guarantor shall include in the Conversion Request Letter: (i) the Amortization Schedule for the period up to expiration of the Conversion Period; and (ii) the Amortization Schedule for the Outstanding Payments payable from the expiration of the Conversion Period to the Final Amortization Date, which shall correspond to the terms and conditions applicable prior to effecting the Interest Rate Conversion.

(d) In the case of a Partial-Term Interest Rate Conversion on amounts denominated in Dollars, the interest rate applicable to the Outstanding Payments upon the expiration of the Partial-Term Interest Rate Conversion shall be the interest rate set forth in Article 3.03(a) of these General Conditions. Partial-Term Interest Rate Conversions of Outstanding Payments denominated in currencies other than the Dollar shall be subject to the requirements of Article 4.02(g) and shall therefore be subject to the same treatment relative to the expiration of the Conversion Period of the Partial-Term Currency Conversion, as set forth in Article 4.03(d) of these General Conditions.

(e) Within thirty (30) days from the date of cancellation or modification of an Interest Rate Conversion, the Counter-Guarantor shall receive from the Bank, or alternatively, shall pay to the Bank, as applicable, the amounts corresponding to any gain or cost incurred by the Bank as a result of unwinding or reallocating its corresponding funding (or any related hedge) associated with the cancellation or modification of such Interest Rate Conversion. In case of a gain, the amount will be credited first to any amounts due and payable by the Counter-Guarantor to the Bank.



**ARTICLE 4.05. Payment of Interest and Amortization Installments in the Event of a Currency Conversion.** Pursuant to Article 4.03 of these General Conditions, following a Currency Conversion, interest and amortization installments of converted amounts shall be paid in the Settlement Currency. If the Settlement Currency is the Dollar, the Valuation Exchange Rate in effect on the Payment Valuation Date for the respective expiration date shall be applied, as set forth in the Conversion Notification Letter.

**ARTICLE 4.06. Early Termination of a Conversion.** The Counter-Guarantor can request in writing an early termination of a Conversion which will be subject to the Bank's ability to terminate its corresponding funding or related hedge. In that case, the Counter-Guarantor shall receive from the Bank, or alternatively, shall pay to the Bank, as applicable, any gain (including any payoff resulting from the early termination of a commodity hedge) or cost incurred by the Bank as a result of unwinding or reallocating its corresponding funding (or any related hedge), as determined by the Calculation Agent. In case of a cost, the Counter-Guarantor shall promptly pay the corresponding amount to the Bank. In case of a gain it will be credited first to any amount due and payable by the Counter-Guarantor to the Bank, such as any fees or premium payments.

**ARTICLE 4.07. Transaction Fees Applicable to Conversions.** (a) The transaction fees applicable to Conversions undertaken under this Contract shall be those determined by the Bank periodically. Each Conversion Notification Letter shall indicate, if applicable, the transaction fee the Counter-Guarantor shall be required to pay to the Bank for the execution of the respective Conversion, which fee shall remain in effect throughout the Conversion Period of such Conversion.

(b) The transaction fee applicable to a Currency Conversion: (i) shall be expressed in the form of basis points per annum; (ii) shall accrue in the Converted Currency from the Conversion Date (inclusive) on the Outstanding Payments of such Currency Conversion; and (iii) shall be paid together with each interest payment as set forth in Article 4.05 of these General Conditions.

(c) The transaction fee applicable to an Interest Rate Conversion: (i) shall be expressed in the form of basis points per annum; (ii) shall accrue in the currency of denomination of the Outstanding Payments subject to such Interest Rate Conversion; (iii) shall accrue, from the Conversion Date (inclusive) on the Outstanding Payments subject to the Interest Rate Conversion; and (iv) shall be paid together with each interest payment as set forth in Article 4.05 of these General Conditions.

(d) Notwithstanding the transaction fees provided for in paragraphs (b) and (c) above, in the case of Currency Conversions or Interest Rate Conversions involving an Interest Rate Cap or an Interest Rate Collar, a transaction fee associated with such Interest Rate Cap or Interest Collar shall apply. Such transaction fee: (i) shall be denominated in the same currency as the Outstanding Payments subject to the Interest Rate Cap or Interest Rate Collar; and (ii) shall be paid in a lump sum, in the Settlement Currency, on the first interest payment date, as set forth in Article 4.05 of these General Conditions.



(e) The transaction fee applicable to a Commodity Conversion: (i) shall be expressed in the form of basis points; (ii) shall be calculated on the basis of the Notional Quantity times the commodity closing price on the Commodity Conversion Date according to the Underlying Commodity Index; and (iii) shall be paid in Dollars, in a lump sum upfront or in installments, as agreed upon between the Bank and the Counter-Guarantor and specified in the Conversion Notification Letter. In no event shall the Counter-Guarantor pay such fee to the Bank later than the Commodity Conversion Maturity Date, or, if the case may be, the date in which a Commodity Conversion is terminated early pursuant to Article 4.06 of these General Conditions.

(f) In case of an early termination of a Commodity Conversion, an additional transaction fee will apply, which: (i) shall be expressed in the form of basis points; (ii) shall be calculated on the basis of the Notional Quantity times the commodity closing price on the date of the early termination according to the Underlying Commodity Index; and (iii) shall be paid in Dollars, as a lump-sum amount, promptly upon termination.

**ARTICLE 4.08. Funding Expenses and Premiums or Discounts Associated with a Conversion.** (a) In the event that the Bank uses its actual cost of funding to determine the Base Interest Rate, the Counter-Guarantor shall pay the fees and expenses incurred by the Bank in sourcing its funding. In addition, any premiums or discounts related to the Bank's funding shall be paid by or credited to the Counter-Guarantor, as the case may be. These expenses and premiums or discounts will be specified in the Conversion Notification Letter.

(b) When a Conversion is effected on Outstanding Payments, the amounts owed by or due to the Counter-Guarantor as described in paragraph (a) above, shall be paid by the Counter-Guarantor or the Bank, as the case may be, within thirty (30) days following the Conversion Date.

**ARTICLE 4.09. Premiums Payable in Connection with Interest Rate Caps or Interest Rate Collars.** (a) In addition to the transaction fees payable pursuant to Article 4.07 of these General Conditions, the Counter-Guarantor shall pay the Bank a premium on the Outstanding Payments subject to the Interest Rate Cap or Interest Rate Collar requested by the Counter-Guarantor, equivalent to the premium paid by the Bank to a counterparty, if any, as a result of the purchase of the Interest Rate Cap or Interest Rate Collar. Such premium shall be paid: (i) in the currency of denomination of the Outstanding Payments subject to the Interest Rate Cap or Interest Rate Collar, or its equivalent in Dollars, at the exchange rate set forth in the Conversion Notification Letter, which shall be the exchange rate determined at the time the Bank sourced the funding or entered into the related hedge; and (ii) in a lump sum amount, on a date agreed by the Parties, but in no event later than thirty (30) days after the Conversion Date; unless, if operationally feasible for the Bank, the Bank agrees to a different payment mechanism.

(b) If the Counter-Guarantor requests an Interest Rate Collar, it may request the Bank to establish the lower limit of the Interest Rate Collar to ensure that the premium corresponding to the lower limit be equal to the premium corresponding to the upper limit, thereby establishing an Interest Rate Collar at no cost (zero cost collar). If the Counter-Guarantor selects the upper and lower limits, the premium payable to the Bank by the Counter-Guarantor with respect to the upper limit of the Interest Rate Collar will be offset by the premium payable by the Bank with respect to the lower limit of the Interest Rate Collar. Nevertheless, the premium payable to the Counter-



Guarantor by the Bank in respect of the lower limit of the Interest Rate Collar may in no case exceed the premium payable by the Counter-Guarantor to the Bank with respect to the upper limit of the Interest Rate Collar. Accordingly, during the Execution Period, the Bank may reduce the lower limit of the Interest Rate Collar such that the corresponding premium does not exceed the premium on the upper limit of the Interest Rate Collar.

**ARTICLE 4.10. Premiums in Connection with a Commodity Conversion.** In addition to the transaction fees payable pursuant to Article 4.07 of these General Conditions, but subject to Article 4.01(e) of these General Conditions, the Counter-Guarantor shall pay to the Bank a premium equivalent to the premium paid by the Bank to a counterparty for entering into a related commodity hedge. Such premium shall be paid in Dollars, in a lump-sum amount upfront or in installments, as agreed upon between the Bank and the Counter-Guarantor and specified in the Conversion Notification Letter. The Bank may agree to alternative payment mechanisms, such as expressing the premium in the form of basis points per annum, in which case it will be paid together with interest on each interest payment date. In no event shall the Counter-Guarantor pay such premium to the Bank later than the Commodity Conversion Maturity Date, or, if the case may be, the date in which a Commodity Conversion is terminated early pursuant to Article 4.06.

**ARTICLE 4.11. Commodity Conversions.** Each Commodity Conversion shall be entered into on the following terms and conditions:

- (a) Each Commodity Conversion shall relate to either a Commodity Put Option or a Commodity Call Option (each, a “Commodity Option”). A Commodity Option shall constitute the grant by the Bank to the Counter-Guarantor of the right (exercisable as provided in this Article 4.11) to cause the Bank to pay the Cash Settlement Amount, if any, on the Commodity Conversion Settlement Date.
- (b) If, at the Commodity Conversion Maturity Date under a Commodity Call Option, the Specified Price exceeds the Strike Price, the “Cash Settlement Amount” shall equal the product of (i) the excess of the Specified Price over the Strike Price multiplied by (ii) the Notional Quantity of such Commodity Option. Otherwise, the “Cash Settlement Amount” for such Commodity Call Option shall be zero.
- (c) If, at the Commodity Conversion Maturity Date under a Commodity Put Option, the Strike Price exceeds the Specified Price, the “Cash Settlement Amount” shall equal the product of (i) the excess of the Strike Price over the Specified Price multiplied by (ii) the Notional Quantity of such Commodity Option. Otherwise, the “Cash Settlement Amount” for such Commodity Put Option shall be zero.
- (d) In case the Commodity Conversion refers to a binary Option Type, the “Cash Settlement Amount” will be determined on the basis of a formula to be specified in the Conversion Notification Letter (Article 4.01(b)(iv)(I) of these General Conditions).
- (e) On the Commodity Conversion Maturity Date, the Bank will determine and give notice to the Counter-Guarantor of the Cash Settlement Amount. If the Cash



Settlement Amount is greater than zero, the Bank will pay such amount to the Counter-Guarantor on the Commodity Conversion Settlement Date. If a loan made to the Counter-Guarantor, or guaranteed by the Counter-Guarantor, is in arrears for over thirty (30) days, then the Bank may deduct from the Cash Settlement Amount due to the Counter-Guarantor all amounts due and payable by the Counter-Guarantor to the Bank under any loan made to or guaranteed by the Counter-Guarantor that is in arrears for any length of time (either for more, or for less, than thirty (30) days).

- (f) If the Counter-Guarantor shall fail to make a payment when due of any premium payable under the Commodity Conversion, and such failure is not cured within a reasonable time, the Bank may by written notice to the Counter-Guarantor terminate the related Commodity Option, whereupon the Counter-Guarantor shall pay to the Bank an amount determined by the Bank to be the amount that would be incurred by the Bank as a result of its unwinding or reallocating any related commodity hedge. Alternatively, the Bank may choose not to terminate the Commodity Option, in which case any Cash Settlement Amount resulting upon a Commodity Conversion Maturity Date will be applied as provided for in Article 4.06 of these General Conditions.

**ARTICLE 4.12. Market Quotes Disruption Events.** The Parties acknowledge that the amortization and interest payments made by the Counter-Guarantor in connection with amounts subject to a Conversion, shall at all times be linked to the corresponding funding of the Bank in relation to payments under such Conversion. Therefore, the Parties agree that, notwithstanding the occurrence of any disruption event that may materially affect the currency exchange rates, interest rates, and inflation adjustment index used in this Contract, if any, or in any Conversion Notification Letter, the Counter-Guarantor's payments shall remain linked to the Bank's funding. For purposes of obtaining and maintaining such link under such circumstances, the Parties expressly agree that the Calculation Agent, acting in good faith and in a commercially reasonable manner, seeking to reflect the Bank's corresponding funding, shall determine the applicability of: (a) such disruption events; and (b) the replacement rate or index applicable to determine the appropriate amount to be paid by the Counter-Guarantor.

**ARTICLE 4.13. Cancellation and Reversal of the Currency Conversion.** If, after the signature date of this Contract, a change in a law, decree, or other applicable rule or regulation is enacted or issued, or if there is a change in the interpretation of a law, decree, or other applicable rule or regulation in force at the time this Contract is signed that, as reasonably determined by the Bank, prevents the Bank from continuing to maintain, in whole or in part, its funding in the Converted Currency, for the remainder of the period and under the same terms as the corresponding Currency Conversion, the Counter-Guarantor, upon being notified by the Bank, shall have the option to redenominate the Outstanding Payments subject to the Currency Conversion to Dollars at the exchange rate applicable at that time, as determined by the Calculation Agent. Such Outstanding Payments shall remain subject to the Amortization Schedule agreed for such Currency Conversion and the Interest Rate set forth in Article 3.02(a) of these General Conditions. Alternatively, the Counter-Guarantor may prepay to the Bank all amounts that it owes in the Converted Currency, pursuant to the provisions of Article 4.06 of these General Conditions.



**ARTICLE 4.14. Gains or Costs Associated with the Redenomination into Dollars.** If the Counter-Guarantor decides to redenominate the Outstanding Payments subject to a Currency Conversion into Dollars pursuant to Article 4.13 above, within thirty (30) days after the redenomination date, the Counter-Guarantor shall receive from the Bank, or alternatively, shall pay to the Bank, as applicable, the amounts corresponding to any gain or cost as determined by the Calculation Agent, up until the Dollar redenomination date, in connection with variations in the interest rates. In case of a gain, the amount will be credited first to any amounts due and payable by the Counter-Guarantor to the Bank.

**ARTICLE 4.15. Delay in Payment in Case of Currency Conversion.** In the event of any payment delay in respect of amounts of principal or financial charges that the Counter-Guarantor owes the Bank as a result of a Conversion and any premiums payable to the Bank pursuant to Article 4.09 in a currency other than the Dollar, the Bank may charge interest at a floating rate in the Converted Currency determined by the Calculation Agent, plus a spread of 100 basis points (1%) over the total amount in arrears, irrespective of the applicability of additional charges to ensure a full transfer of costs in the event such spread is not sufficient for the Bank to recover the costs incurred as a result of such delay.

**ARTICLE 4.16. Additional Costs in Case of Conversions.** If an action or omission by the Counter-Guarantor, including: (a) nonpayment of principal, interest, and fees relating to a Conversion on the due dates; (b) revoking or changing the terms set forth in a Conversion Request Letter; (c) nonfulfillment of a partial or full prepayment of the Outstanding Payments in the Converted Currency, if such prepayment had been previously requested by the Counter-Guarantor in writing; (d) a change in laws or regulations that have an impact on the maintenance of all or part of the Outstanding Payments on the agreed Conversion terms; or (e) other actions not described above, results in the Bank incurring additional costs to those described in this Contract, the Counter-Guarantor shall pay the Bank such amounts, as determined by the Calculation Agent, to ensure a full transfer of the costs incurred by the Bank.

## **CHAPTER V**

### **Execution of the Program**

**ARTICLE 5.01. Financial Management Systems and Internal Control.** (a) The Counter-Guarantor shall maintain, or cause the Executing Agency and Contracting Agency, if any, to maintain, as the case may be, internal controls so as to reasonably ensure: (i) that Program resources are used for the purposes of this Contract, devoting special attention to the principles of economy and efficiency; (ii) that Program assets are adequately safeguarded; (iii) that Program transactions, decisions, and activities are duly authorized and executed in accordance with the provisions of this Contract and any other contract related to the Program; and (iv) that transactions are properly documented and recorded in a way that facilitates the production of timely and reliable reports.

(b) The Counter-Guarantor shall maintain, and shall cause the Executing Agency and the Contracting Agency, if any, to maintain, an acceptable and reliable financial management



system for the timely management of Program 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 Guaranteed Contract, the Additional Resources, and other financing sources of the Program, if any.

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

(d) The Counter-Guarantor shall include, or cause the Executing Agency and the Contracting Agency, if any, to include in all bidding documents, requests for proposals, and contracts financed with the resources of the Guaranteed Contract 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 Guaranteed Contract for a period of seven (7) years after completion of the work contemplated in the relevant contract.

**ARTICLE 5.02. Additional Resources.** The Counter-Guarantor, 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 Guarantee 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 Counter-Guarantor, 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 Program.

**ARTICLE 5.03. General Provisions for Execution of the Program.** (a) The Counter-Guarantor shall execute, or cause the Executing Agency, as the case may be, to execute the Program in accordance with the objectives thereof, with due diligence in an economically, financially, administratively, and technically efficient manner, and in accordance with the provisions of this Contract and the plans, specifications, investment schedule, budgets, regulations, and other relevant documents of the Program approved by the Bank. The Counter-Guarantor 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 Counter-Guarantee Contract, shall require the written consent of the Bank.



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

**ARTICLE 5.04. 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 Counter-Guarantor undertakes to carry out and, where appropriate, cause the Executing Agency or the Contracting Agency, if any, to carry out the procurement of works and non-consulting services, as well as the procurement of goods, in accordance with the Procurement Policies and the Procurement Plan approved by the Bank, and the selection and contracting of consulting services, in accordance with the Consultant Policies and the Procurement Plan approved by the Bank. The Counter-Guarantor represents that it is aware of the Procurement Policies and Consultant Policies and undertakes to inform the Executing Agency, and the Contracting Agency, 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 Counter-Guarantor or an entity of the Counter-Guarantor, the Counter-Guarantor or the Executing Agency, as the case may be, may carry out the procurement and contracting financed wholly or partially with resources of the Guaranteed Contract 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 Counter-Guarantor and the Executing Agency. Use of the procurement rules, procedures and systems of the Counter-Guarantor or an entity of the Counter-Guarantor 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 Counter-Guarantor, 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 Counter-Guarantor or an entity of the Counter-Guarantor 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 Counter-Guarantor 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 Counter-Guarantor agrees to update, if any, 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 Counter-Guarantor or the Executing Agency. The changes approved by the Bank shall be reflected in the Procurement Plan.

**ARTICLE 5.05. Use of Goods.** Except as otherwise expressly authorized by the Bank, any goods procured with the resources of the Guaranteed Contract shall be used exclusively for the purposes of the Program.

**ARTICLE 5.06. Environmental and Social Safeguards.** (a) The Counter-Guarantor, directly or through the Executing Agency, as the case may be, agrees to carry out the execution (preparation, construction, and operation) of the activities included in the Program in accordance with the environmental and social policies of the Bank, pursuant to the specific provisions on environmental and social considerations included in the Special Conditions.

(b) The Counter-Guarantor, 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 Counter-Guarantor, 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 Counter-Guarantor 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 Program, in order to confirm compliance with the environmental and social obligations set forth in the Special Conditions.

**ARTICLE 5.07. Ineligible Expenditures for the Program.** 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 Counter-Guarantor or the Executing Agency, as the case may be, shall take such actions as are necessary to remedy the situation, as required by the Bank, without prejudice to any other measures the Bank may exercise under this Contract.

## **CHAPTER VI**

### **Supervision and Evaluation of the Program**

**ARTICLE 6.01. Inspections.** (a) The Bank may establish such procedures as it deems necessary to ensure the satisfactory development of the Program.



(b) The Counter-Guarantor shall permit, or cause the Executing Agency, as the case may be, and the Contracting Agency, if any, to permit the Bank, its investigators, agents, auditors, and experts it engages, to inspect, at any time, the Program 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 Counter-Guarantor or the Executing Agency, as the case may be, and the Contracting Agency, if any, shall ensure that their agents fully cooperate with the personnel which the Bank sends or designates for this purpose. All the costs relating to transportation, salaries, and other expenses of such personnel shall be borne by the Bank.

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

(d) The Counter-Guarantor shall include, or cause the Executing Agency, as the case may be, and the Contracting Agency, if any, to include a provision in bidding documents, requests for proposals, and contracts entered into by them relating to the execution of the Guaranteed Contract 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 6.02. Plans and Reports.** To enable the Bank to supervise progress in the execution of the Program and the scope of its results, the Counter-Guarantor, 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 Program 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 Program 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 Program and keep the Bank informed on the status thereof.

**ARTICLE 6.03. External Financial Audit Reports and other Financial Reports.** (a) Unless the Special Conditions establish otherwise, the Counter-Guarantor, 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 Program and prior to the expiration date of the Guarantee or any extension thereof, and within one hundred twenty (120) days following the date of expiration of the Guarantee.

(b) In addition, the Counter-Guarantor, 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 Program's execution when, in the opinion of the Bank, the analysis of the level of the Program'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 Counter-Guarantor, 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 Counter-Guarantor, 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 Counter-Guarantor or the Executing Agency, as the case may be, shall provide to the Bank any information it requests relating to the independent auditors under contract.

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

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

(g) The Bank reserves the right to request the Counter-Guarantor 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 Programs, of the Executing Agency and related entities, of the financial information system, and of the bank accounts of the Program, 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 VII**

### **Prohibited Practices**

**ARTICLE 7.01. Prohibited Practices.** (a) Notwithstanding other rights under this Contract, if the Bank determines, that a firm, entity, or individual bidding for or participating in a Bank-financed or guaranteed 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 Program, the Bank may take the following actions, including:

- (i) Denying financing of contracts for the procurement of goods or the contracting of works or consulting or non-consulting services.
- (i) Declaring a contract ineligible for Bank financing whenever there is evidence that the agent of the Counter-Guarantor, 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.
- (ii) Issuing the firm, entity, or individual determined to be responsible a reprimand in the form of a formal letter of censure for its behavior.
- (iii) 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 or guaranteed 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.
- (iv) Referring the matter to appropriate law enforcement authorities.
- (v) Imposing fines representing reimbursement to the Bank of costs associated with investigations and proceedings.

(b) The provisions of Article 7.01 (a)(i) shall also apply in cases in which the Contracting Agency or any firm, entity, or individual bidding for or participating in a Bank-financed activity, including applicants, bidders, contractors, consulting firms and individual consultants, personnel, subcontractors, subconsultants, providers of goods or services, concessionaires (including their respective officers, employees, and agents, irrespective of whether



their authority has been expressly or implicitly granted) has been temporarily suspended from eligibility to take part in a bidding or other selection process for the awarding of new contracts pending the final outcome of an investigation into a Prohibited Practice.

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

(c) Any firm, entity, or individual bidding for or participating in a Bank-financed or guaranteed 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 Counter-Guarantor procures goods or contracts works or non-consulting services directly from a specialized agency under an agreement between the Counter-Guarantor and such specialized agency, all provisions under this Contract regarding sanctions and Prohibited Practices shall apply in their entirety to applicants, bidders, providers of goods and their agents, contractors, consultants, personnel, subcontractors, subconsultants, service providers, concessionaires (including their respective officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted), or to any other entities that have signed contracts with such specialized agency, to supply goods, works, or non-consulting services in connection with Bank-financed activities. The Counter-Guarantor 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 Counter-Guarantor 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 Guaranteed Contract. In the event a specialized agency signs a contract or purchase order with a firm or an individual temporarily or permanently debarred by the Bank as indicated in this Article, the Bank will not finance such contracts or expenditures and will apply such other remedies as it deems appropriate.



**CHAPTER VIII**  
**Provision on Encumbrances and Exemptions**

**ARTICLE 8.01. Commitment on Encumbrances.** The Counter-Guarantor shall not create any specific encumbrance on all or part of its assets or revenues to secure an external debt without, at the same time, creating an encumbrance guaranteeing to the Bank, equally and proportionally, the fulfillment of the pecuniary obligations arising from this Contract. The foregoing shall not apply: (a) to encumbrances on goods used as security for payment of the unpaid balance of the purchase price; and (b) to encumbrances created in banking operations to secure payment of debts with maturities of not more than one year. In the event that the Counter-Guarantor is a member country, the term "assets or revenues" shall mean all types of assets or revenues which belong to the Counter-Guarantor or any of its dependent agencies which are not autonomous entities with their own separate capital.

**ARTICLE 8.02. Tax exemption.** The Counter-Guarantor undertakes to ensure that principal, interest, fees, premiums, and any other charges of the Guaranteed Contract, as well as any other payment for expenses or costs that may be imputed to this Contract, shall be paid without any deduction or restriction whatsoever, exempt from any tax, fee, duty, or charge established or that may be established by the laws of its country, and to pay any tax, fee, or duty applicable to the signing, recording, and execution of this Contract.

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

**ARTICLE 9.01. Assignment of Rights.** The Bank may assign to other public or private institutions, in the form of participations, the rights corresponding to the Counter-Guarantor's pecuniary obligations under this Contract. The Bank shall immediately notify the Counter-Guarantor of each assignment.

(b) The Bank may grant participations in respect of Outstanding Payments at the time of entering into the participation agreement.

**ARTICLE 9.02. Modifications and Contractual Waivers.** Any modification or waiver of the provisions of this Contract shall be agreed upon in writing by the Parties.

**ARTICLE 9.03. Non-waiver of Rights.** Any delay or failure by the Bank to exercise its rights pursuant to this Contract may not be construed as a waiver of such rights or as implied acceptance of events, actions, or circumstances that would have empowered it to exercise them.

**ARTICLE 9.04. Termination.** (a) The total and definitive settlement of the Guarantee, and the full payment to the Bank of all Outstanding Payments, if any, as to the full payment of all obligations arising from it shall be deemed terminated upon full payment of the principal, interest, fees, premiums, and all other expenses, as well as all other expenses, costs and payments arising from this Contract, with the exception of those referred to in paragraph (b) of this Article.



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

**ARTICLE 9.05. Validity.** The rights and obligations established in this Contract are valid and enforceable in accordance with the terms agreed upon herein, regardless of the laws of any given country.

**ARTICLE 9.06. Disclosure of Information.** The Bank may disclose this Contract and any information related thereto, in accordance with its access to information policy in effect at the time of such disclosure.

## **CHAPTER X**

### **Arbitration Procedure**

**ARTICLE 10.01. Composition of the Tribunal.** (a) The arbitration tribunal shall be composed of three members to be appointed in the following manner: one by the Bank; another by the Counter-Guarantor; 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.

(b) In any conflict, both the Counter-Guarantor and the Guarantor shall be considered a single party and, consequently, shall act jointly in the designation of the arbitrator and for the other purposes of the arbitration proceedings.

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

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

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

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

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

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

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