INDEMNITY AGREEMENT

(Additional Financing for RenovAr Auction Round 2 - Foder Renewable Energy Fund)

between

REPUBLIC OF ARGENTINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated January 14, 2019
INDEMNITY AGREEMENT

INDEMNITY AGREEMENT, dated January 14, 2019 (this "Agreement"), between the REPUBLIC OF ARGENTINA (the "Member Country"), acting through its Ministry of Treasury (Ministerio de Hacienda) ("MoT"), acting in accordance with its competences, and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the "Bank") in connection with the Guarantee Agreement (the "Guarantee Agreement") of the same date between the Bank and Banco de Inversión y Comercio Exterior S.A., acting in its capacity as trustee of the FODER Trust (as defined below) under the FODER Trust Agreement (as defined below) (the "Trustee" or the "Beneficiary") for a guarantee in an amount of up to US$250 million in support of the Project described in Schedule I to this Agreement (the "Project").

ARTICLE I

General Conditions; Definitions

Section 1.01. The provisions of the General Conditions (as defined in the Appendix to this Agreement) set forth in Section II of the Appendix to this Agreement constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in Section I of the Appendix to this Agreement.

ARTICLE II

Indemnity by Member Country to the Bank; Opinion

Section 2.01. (a) In consideration of the Bank providing the Guarantee on the terms and conditions set out in the Guarantee Agreement, the Member Country hereby irrevocably and unconditionally agrees:

(i) to reimburse the Bank immediately on demand or as the Bank may otherwise direct in writing for any amount paid by the Bank under the Guarantee Agreement together with interest thereon at the rate per annum determined by the Bank and notified to the Member Country (which rate shall not exceed the Bank's highest prevailing lending rate for loans with a fixed spread denominated in the Payment Currency, as may be shown from time to time on the Bank's external website) from the date such payment is made by the Bank until such amount is reimbursed in full;

(ii) to indemnify the Bank on demand and hold the Bank harmless against all actions, proceedings, liabilities, claims, losses, damages, costs and expenses
brought against, suffered or incurred by the Bank directly or indirectly in relation to or arising out of or in connection with the Guarantee Agreement (except as otherwise provided in Section 8.04(i) of the General Conditions); and

(iii) that the obligations of the Member Country under this Agreement will not be affected by any act, omission, matter or thing which, but for this Section, would reduce, release or prejudice any of its obligations under this Agreement.

(b) In the event that the Bank receives funds from the Member Country pursuant to Section 2.01(a) and, in respect of the same amounts, the Bank receives a refund of funds from the Beneficiary or any Eligible Sub-Project Company pursuant to the Guarantee Agreement or any Acknowledgment and Consent (as defined in the Guarantee Agreement) or receives funds as a result of the exercise of the Bank’s subrogation rights under the Guarantee Agreement (a “Double Payment”), then the Bank shall promptly refund to the Member Country the amount of such Double Payment together with any interest payments received pursuant to the Guarantee Agreement by the Bank from the Beneficiary (or any Eligible Sub-Project Company that has exercised its Step-In Rights in accordance with Clause 12 (Step-In Rights) of the Guarantee Agreement) in respect of such Double Payment.

Section 2.02. Any payment required to be made by the Member Country pursuant to the terms of this Agreement shall be applied first, to pay all interest and other charges due to the Bank and second, after such interest and other charges are paid, to pay all other amounts then due to the Bank under this Agreement.

Section 2.03. The Member Country shall furnish to the Bank a legal opinion or opinions satisfactory to the Bank or, if the Bank so requests, a certificate satisfactory to the Bank of a competent official of the Member Country, opining as to the following matters: (a) that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Member Country and is legally binding upon the Member Country in accordance with its terms; and (b) any other matter reasonably requested by the Bank in connection with this Agreement or the Project. The Member Country acknowledges that the receipt by the Bank of such opinion, opinions or certificate is a condition to the effectiveness of the Guarantee Agreement.

ARTICLE III

Project

Section 3.01. The Member Country declares its commitment to the objectives of the Project.

Section 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, the Member Country shall undertake the obligations with respect to the Project set forth in Schedule II to this Agreement.
ARTICLE IV
Remedies

Section 4.01. In addition to the other remedies available to the Bank under loan and guarantee agreements between the Bank and the Member Country, in the event that: (i) the Member Country fails to perform any of its obligations under Article III of this Agreement and such failure continues and remains uncured in the opinion of the Bank for sixty (60) days or more after notice thereof to the Member Country from the Bank; or (ii) any representation made by the Member Country in or pursuant to this Agreement, or any representation or statement furnished by the Member Country and intended to be relied on by the Bank in providing the Guarantee, shall in the opinion of the Bank have been incorrect or misleading in any material respect, then the Bank may suspend or cancel in whole or in part the Member Country’s right to request loan disbursements under any loan agreement between the Bank and the Member Country, or declare the outstanding principal and interest of any such loan due and payable immediately.

ARTICLE V
Effective Date

Section 5.01. This Agreement shall come into force and effect upon signature by the parties.

ARTICLE VI
Representative; Addresses

Section 6.01. The Borrower’s Representative is its Ministry of Treasury.

Section 6.02. The Member Country’s Address is:

Address: Ministry of Treasury
Attention: Nicolas Dujovne
E-mail: secpriv@mecon.gov.ar
Facsimile: +54 11 4349 8801

With a copy to:

Address: Government Secretariat of Energy
Attention: Sebastian Kind
E-mail: skind@minem.gob.ar
Facsimile: +54 11 4349 8033

Section 6.03. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Attention: Senior Director, Energy and Extractives Global Practice
Facsimile: +1 202 522 3436
E-mail: eexgu@worldbank.org
Ref: Number G-2570

With a copy to:

Attention: Practice Manager, Guarantees (Financial Structuring & PPPs)
            Infrastructure, PPPs & Guarantees, Infrastructure Vice Presidency
Facsimile: +1 202 522 0761
E-mail: guarantees@worldbank.org
Ref: Number G-2570
AGREED as of the day and year first above written.

REPUBLIC OF ARGENTINA

By: 

Authorized Representative

Name (printed): Nicolas Dujovne
Title: Minister of Treasury

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: 

Authorized Representative

Name (printed): Jesko S. Hentschel
Title: Country Director
SCHEDULE I

Project Description

The objective of the Project is to increase electricity generation capacity from renewable energy sources through private investment in the energy sector.

The Project consists of a Bank guarantee to the Trustee, in support of Eligible Sub-Projects to be carried out by Eligible Sub-Project Companies, as follows:

A Renewable Energy Law was enacted in Argentina on September 23, 2015.


Consistent with the RenovAr Auction Round 2, project companies have been awarded the right to sell energy from renewable energy power plants to CAMMESA, and as a result such project companies have entered and will enter into PPAs with CAMMESA, and have entered and will enter into Trust Adhesion Agreements with the Government Secretariat of Energy of the MoT ("GSE") and the Trustee pursuant to which, among other things, in certain circumstances each project company has the right to require that the Trustee purchase the assets of its project for a put price to be determined as set forth in the corresponding Trust Adhesion Agreement.

Each Trust Adhesion Agreement provides that if the FODER Trust does not have the funds available for the Trustee to pay the corresponding put price, then GSE is obligated to provide the FODER Trust the necessary funds to do so.

The Member Country, acting through MoT, has issued or will issue Treasury Bills in favor of the FODER Trust that become due and payable if GSE fails to provide to the FODER Trust the funds necessary to allow the Trustee to pay the total amount of the put price to the project company, upon request when a project company exercises its put option.

Certain project companies requested as part of their RenovAr Auction Round 2 bids that the Member Country’s obligation to provide to the FODER Trust the funds necessary to pay the put price under the respective Trust Adhesion Agreements be guaranteed by the Guarantor in an amount and tenor contemplated in the respective bids, and reflected in the respective Trust Adhesion Agreements.

The Guarantor, at the request of the Member Country, intends to issue such guarantee in an amount of up to two hundred fifty million Dollars (US$250,000,000).
SCHEDULE II

Project Execution

1. The Member Country hereby undertakes to the Bank to: (i) punctually perform all of its obligations under the FODER Trust Agreement, the Treasury Bills, the Relevant Trust Adhesion Agreements and the Renewable Energy Law; (ii) take all lawful action within its power to cause each of CAMMESA and the Trustee to punctually perform all of its obligations under the Guarantee Agreement, each Relevant PPA and each Relevant Trust Adhesion Agreement to which it is a party; (iii) punctually provide to the Trustee the portion of the Bank’s recurring Guarantee related fees corresponding to all Componente Nacional (national component) related discounts on such fees afforded to Eligible Sub-Project Companies as contemplated by Clause 25 of the RFP, in each case to permit the Trustee to timely pay (or cause to be paid) such fees in accordance with the Guarantee Agreement; and (iv) cause the Trustee to timely pay to the Bank in accordance with the Guarantee Agreement all amounts in respect of the Bank’s Guarantee related fees that the Trustee has received from the Member Country, or from Eligible Sub-Project Companies in accordance with the terms of the respective Trust Adhesion Agreements.

2. The Member Country (i) shall notify the Bank of any proposed or actual material change to the Renewable Energy Law reasonably promptly upon becoming aware of such change, (ii) shall notify the Bank prior to agreeing to any material amendment, waiver, termination or other change to the FODER Trust Agreement, a Treasury Bill or a Relevant Trust Adhesion Agreement and (iii) shall obtain the written consent of the Bank (which consent shall not be unreasonably withheld) prior to agreeing to any amendment, waiver, termination or other change to any of the Restricted Provisions (as such term is defined in the Guarantee Agreement), or any assignment, transfer or encumbrance that requires the Guarantor’s prior written consent under Section 11 (Assignments) of the Guarantee Agreement.

3. The Member Country shall (or shall cause a third party to) promptly: (i) notify the Bank of, and provide to the Bank copies of any notices, claims, demands, reimbursements or recoveries under the FODER Trust Agreement, a Treasury Bill, or a Trust Adhesion Agreement that relates to or could result in actions to enforce the payment of any Guaranteed Liability; and (ii) notify the Bank of any event or circumstance that would or could adversely affect the Member Country’s ability to perform its obligations or exercise its rights under the FODER Trust Agreement, a Treasury Bill or a Trust Adhesion Agreement.

4. The Member Country shall take all lawful actions within its power to remedy and cure any event within the Member Country’s control or responsibility that would or could result in the breach by the Member Country or by a Public Sector Entity of the FODER Trust Agreement, a Treasury Bill, or a Trust Adhesion Agreement and that would or could have a material adverse effect on the obligations of the Bank under the Guarantee Agreement or otherwise increase the likelihood of a demand under the Guarantee Agreement.

5. The Member Country shall not create or permit to exist or occur, and shall take all lawful actions within its power to ensure that no Public Sector Entity shall create or permit to exist or occur, any circumstance, or change in any law or regulation in effect in the Member Country as of the date of this Agreement that would render any obligation under the FODER Trust Agreement, a Treasury Bill, a Relevant Trust Adhesion Agreement, a Relevant PPA or the Guarantee Agreement illegal, invalid, unenforceable, ineffective or void in whole or in part. If such circumstance or change exists or occurs, the Member Country shall take all lawful actions within its power to remedy and cure or to procure that
the appropriate Public Sector Entity remedies and cures, the adverse effect on the Project of such circumstance or change in law or regulation.

6. The Member Country shall:

   (a) take all actions that shall be necessary on its part and take all lawful actions within its power to procure that any other Public Sector Entity takes all actions necessary on its part to enable each Eligible Sub-Project Company to obtain any authorization for its Eligible Sub-Project that is required under the ESMF, the IPPF or the RPF provided such Eligible Sub-Project Company has complied with the requirements for obtaining such authorization under applicable law;

   (b) carry out, and take all lawful actions within its power to cause any other Public Sector Entity to carry out, promptly or as may otherwise be agreed between the Member Country and the Bank, any action required to be performed by it or such Public Sector Entity to enable it or an Eligible Sub-Project Company to comply with the requirements of the ESMF, the IPPF and the RPF;

   (c) not take, and shall take all lawful actions within its power not to cause or permit any other Public Sector Entity to take, any action that would prevent or interfere with the performance by an Eligible Sub-Project Company of any of its obligations in connection with its Eligible Sub-Project or under the ESMF, the IPPF, the RPF or any agreement related to the Project;

   (d) not:

      (i) dissolve, disestablish, or suspend the operations of the Trustee (or any Public Sector Entity that succeeds to any rights or obligations of the Trustee) so long as such entity has any obligations under any Transaction Document;

      (ii) change its ownership or control of the Trustee (or any Public Sector Entity successor that succeeds to any rights or obligations of the Trustee) from that existing at the date of this Agreement so long as such entity has any obligations under any Transaction Document (except, for the avoidance of doubt, for any sale, transfer or assignment by the Member Country of any voting interest in the Trustee's share capital that would not result, directly or indirectly, in the Member Country's loss of its ability to elect or appoint a majority of the Trustee's board of directors (or equivalent body), or its ability to direct the management or policies of the Trustee); or

      (iii) take, and shall take all lawful actions within its power not to cause or permit any other Public Sector Entity to take, any action that would (A) reduce the level of funding of the Cuenta de Garantía de Pago por Energía Ronda 2 (as defined in each Trust Adhesion Agreement) from that contemplated by Argentine law 27.191 and by Decree 531/2016 (as modified by Decree 471/2017) or (B) change the structure of the FODER Trust from that contemplated by Argentine law 27.191, Decree 531/2016 (as modified by Decree 471/2017) and Decree 882/2016, except for those changes to the structure of the FODER Trust that would not have an adverse effect on the obligations of the FODER Trust or the Trustee under the Relevant Trust Adhesion Agreements or on the obligations of the Bank under the Guarantee Agreement;
(e) consult (and cause all relevant Public Sector Entities to consult) with the Bank prior to taking any action that could change the structure of the FODER Trust (other than a change in accordance with the FODER Trust Agreement and Argentine law 27.191, Decree 531/2016 (as modified by Decree 471/2017) and Decree 882/2016) or the level of funding of the Cuenta de Garantía de Pago por Energía Ronda 2 from that contemplated by Argentine law 27.191, Decree 531/2016 (as modified by Decree 471/2017) and Decree 882/2016. For the avoidance of doubt, the requirement to consult with the Bank with respect to any action of the Member Country or other Public Sector Entity described in this sub-clause (e) does not grant the Bank an approval right over such action;

(f) shall instruct the Trustee to establish the Cuenta de Garantía de Pago por Energía Ronda 2 as a separate account or sub-account from the Cuenta de Garantía de Pago por Energía established for RenovAr Auctions Round 1 and 1.5 (as defined in the Guarantee Agreement) and from any account to be established for future RenovAr public auction rounds, and shall cause the Trustee to keep segregated at all times the funds deposited in such accounts; provided, however that the Trustee may transfer any or all amounts in excess of those required under Argentine law 27.191, Decree 531/2016 (as modified by Decree 471/2017) and Decree 882/2016 from the Cuenta de Garantía de Pago por Energía established for RenovAr Auctions Round 1 and 1.5 to the Cuenta de Garantía de Pago por Energía Ronda 2 or to other Cuenta/s de Garantía de Pago por Energía to be established for future RenovAr public auction rounds, and may transfer any or all amounts in excess of those required under Decree 531/2016, as modified by Decree 471/2017 from the Cuenta de Garantía de Pago por Energía Ronda 2 to the Cuenta de Garantía de Pago por Energía established for RenovAr Auction Rounds 1 and 1.5 or to other Cuenta/s de Garantía de Pago por Energía to be established for future RenovAr public auction rounds; and

(g) without prejudice to Sections 5.10 (Cooperation and Consultation) and 6.01 (Financial and Economic Data) of the General Conditions, upon request, promptly provide the Bank all information necessary, in the reasonable opinion of the Bank, for the Bank’s review of the Member Country’s performance of its covenants pursuant to this Schedule.

7. The Member Country (i) affirms to the Bank that no Sanctionable Practices have been engaged in by any official or representative of the Member Country or any Public Sector Entity and (ii) covenants that neither it nor any Public Sector Entity shall engage in Sanctionable Practices, in each case during and with respect to the performance of any contract or activity related to the Project.

Institutional Arrangements:

8. The Member Country shall cause the Trustee to maintain at all times during the term of the Guarantee Agreement a team with a structure, functions and responsibilities that allow the Trustee to coordinate, manage, implement, monitor and supervise the financial aspects of the Project as contemplated by Clause 10 below.

9. The Member Country, acting through the Under Secretariat of Renewable Energy and Energy Efficiency of MoT (or any successor thereto acceptable to the Bank), shall at all times during the term of the Guarantee Agreement maintain a team responsible for coordinating, managing, implementing, monitoring and supervising the operational aspects of the Project as contemplated by Clause 10 below.

10. The Member Country, acting through the Under Secretariat of Renewable Energy and Energy Efficiency of MoT (or any successor thereto acceptable to the Bank), shall implement, and shall cause the Trustee to implement, the Project in accordance with the Operations Manual.
11. The Member Country, acting through the Under Secretariat of Renewable Energy and Energy Efficiency of MoT (or any successor thereto acceptable to the Bank), shall not, and shall ensure that the Trustee does not, amend, delete, suspend, or waive any part of the Operations Manual without the prior agreement of the Bank. In case of any conflict between the terms of the Operations Manual and the terms of this Agreement, the terms of this Agreement shall prevail.
APPENDIX

Section I. Definitions


"CAMMESA" means the Compañía Administradora del Mercado Mayorista Eléctrico Sociedad Anónima.

"Dollars" or "US$" means the lawful currency of the United States of America.

"Eligible Sub-Project" means a "Central de Generación" (as defined in the relevant PPA) that is owned by an Eligible Sub-Project Company and does not have potentially significant adverse social and/or environmental impacts that are sensitive, irreversible, diverse, or unprecedented.

"Eligible Sub-Project Company" means an entity that: (i) is wholly or predominantly privately owned or that is publicly owned but is an autonomous entity established and operating under commercial law for the purpose of pursuing profit; (ii) as of the date of the Guarantee Agreement is not included in the World Bank Listing of Ineligible Firms and Individuals; (iii) has participated in a RenovAr Auction Round 2 and has been awarded the right to sell energy from a renewable energy power plant to CAMMESA; (iv) requested, as part of its RenovAr Auction Round 2 bid, that the Member Country's obligation to pay under the Treasury Bills be guaranteed in whole or in part by the Guarantor; (v) has entered into a PPA with CAMMESA; (vi) has entered into a Trust Adhesion Agreement with GSE and the Trustee; (vii) has the ability to manage environmental and social aspects of its renewable energy project in compliance with World Bank Performance Standards (as defined in the Guarantee Agreement); and (viii) meets industry standards for technical and economic viability, financial management and procurement.

"ESMF" means the Environmental and Social Management Framework, or Marco de Gestión de Riesgo Ambiental y Social (MGRAS), dated January 2017, satisfactory to the Bank, developed for the RenovAr program by the then existing Ministry of Energy and Mines (Ministerio de Energia y Mineria) ("MEM") acting through the Under Secretariat of Renewable Energy and Energy Efficiency, establishing guidelines, standards and procedures for environmental and social management to be observed and implemented by GSE and each Eligible Sub-Project.

"FODER Trust" means the public trust fund for the development of renewable energy named "Fondo para el Desarrollo de Energías Renovables" established pursuant to the Renewable Energy Law and the FODER Trust Agreement.

"FODER Trust Agreement" means the Contrato de Fideicomiso dated August 5, 2016 (as amended on August 16, 2017) between the Member Country, acting through MEM as trust settlor (Fiduciante) and as implementing authority (Autoridad de Aplicación), and the Trustee.
"General Conditions" means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing: Investment Project Financing”, dated July 14, 2017, with the modifications set forth in Section II of this Appendix.

"Guarantee" means the guarantee provided by the Bank pursuant to the Guarantee Agreement.

"Guaranteed Liability" has the meaning set forth in the Guarantee Agreement.

"Guarantor" means the Bank in its capacity as guarantor under the Guarantee Agreement.


"Operations Manual” means the manual, including all appendices and attachments thereto, to be adopted by the Under Secretariat of Renewable Energy and Energy Efficiency of MoT (or any successor thereto acceptable to the Bank) in form and substance satisfactory to the Bank, which shall include, inter alia:

(i) a description of Project activities;

(ii) institutional arrangements for Project implementation;

(iii) the ESMF, the IPPF and the RPF; and

(iv) criteria and procedures to be followed for the selection of Eligible Sub-Projects and Eligible Sub-Project Companies, and procedures for the monitoring, reporting, and evaluation of Eligible Sub-Projects, including regarding compliance by Eligible Sub-Project Companies with the World Bank Performance Standards (as defined in the Guarantee Agreement), financial management aspects and audit procedures for Eligible Sub-Project Companies, and the occurrence of any Sanctionable Practices in connection with an Eligible Sub-Project.

"PPAs” has the meaning set forth in the Guarantee Agreement.

"Public Sector Entity” means:

(a) the Government of the Member Country, the Parliament of the Member Country, any governmental department or ministry, agency, body, (including any state-owned company or other state-owned entity) instrumentality or public authority, whether national, state, regional or local (or any subdivision thereof), or any other entity subject to the overall control or direction as to matters of policy of the Government of the Member Country or which is otherwise controlled by the Government of the Member Country;

(b) any court of law or similar judicial forum in the Member Country with jurisdiction over the RenovAr Auction Round 2, the Trustee, an Eligible Sub-Project Company, or an Eligible Sub-Project or the Project or any part thereof; or
(c) any other person in the Member Country having or asserting authority to issue a license, approval or consent required or necessary in connection with the Project, or otherwise having jurisdiction over any aspect of the Project.

"Put Price" means with respect to each Eligible Sub-Project Company, the Precio de Venta del Proyecto (project put price) as defined in the respective Trust Adhesion Agreement.

"Relevant PPA" has the meaning set forth in the Guarantee Agreement.

"Relevant Trust Adhesion Agreement" has the meaning set forth in the Guarantee Agreement.

"Renewable Energy Law" has the meaning set forth in the Guarantee Agreement.

"RenovAr Auction Round 2" has the meaning set forth in the Guarantee Agreement.

"RFP" has the meaning set forth in the Guarantee Agreement.

"RPF" means the Resettlement Policy Framework, or Marco de Políticas de Reasentamiento (MPR), dated January 2017, developed for the RenovAr program by MEM acting through the Under Secretariat of Renewable Energy and Energy Efficiency.

"Sanctionable Practices" means any Corrupt Practice, Fraudulent Practice, Coercive Practice, Collusive Practice or Obstructive Practice, as those terms are defined and interpreted in accordance with the Anti-Corruption Guidelines.

"Transaction Documents" means the FODER Trust Agreement, the Relevant Trust Adhesion Agreements, the Relevant PPAs and the Treasury Bills.

"Treasury Bills" has the meaning set forth in the Guarantee Agreement.

"Trust Adhesion Agreements" has the meaning set forth in the Guarantee Agreement.

Section II. General Conditions

The following provisions of the General Conditions, with the modifications set forth below, constitute an integral part of this Agreement:

1. Article I.
2. Sections 3.06, 3.07, 3.09 and 3.10.
3. Sections 5.10, 5.11 and 5.12.
4. Section 6.01.
5. Section 6.02(a), modified to read as follows:
(a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, special security from the member country concerned but to ensure that no other Covered Debt shall have any priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member country. To that end, if any Lien is created on any Public Assets as security for any Covered Debt, which will or might result in a priority for the benefit of the creditor of such Covered Debt in the allocation, realization or distribution of foreign exchange, such Lien shall, unless the Bank shall otherwise agree, *ipso facto* and at no cost to the Bank, equally and ratably secure the amounts payable by the Member Country under this Agreement, which, for purposes of the Section only, shall be deemed to be equal to the Maximum Guaranteed Amount under the Guarantee Agreement, and the Member Country, in creating or permitting the creation of such Lien, shall make express provision to that effect; provided, however, that if for any constitutional or other legal reason such provision cannot be made with respect to any Lien created on assets of any or its political or administrative subdivisions, the Member Country shall promptly and at no cost to the Bank secure all amounts payable by the Member Country under this Agreement by an equivalent Lien on other Public Assets satisfactory to the Bank.”

6. Section 6.02(c).

7. Article VIII.

8. Section 10.01(b), modified by deleting at the beginning of the second sentence the words “Except as otherwise provided in Section 9.03(a).”

9. Section 10.02, modified by deleting the words “(and the representative designated by the Project Implementing Entity in the Project Agreement)” and “(or the Project Implementing Entity, as the case may be).”

10. Section 10.03, modified by deleting the words “and the Project Implementing Entity.”

11. Section 10.04.

12. Paragraphs 7, 8 and 11 of the Appendix.

13. Paragraph 12 of the Appendix, modified to read as follows:

   “‘Borrower’ means the Member Country that is the party to the Loan Agreement.”

14. Paragraphs 13, 27 and 40 of the Appendix.

15. Paragraphs 26, 49 and 50 of the Appendix.

16. Paragraph 67 of the Appendix, modified to read as follows:

   “‘Legal Agreement’ means the indemnity agreement between the Member Country and the Bank pertaining to the Guarantee, as such agreement may be amended from time to time. ‘Legal Agreement’ includes these General Conditions as applied to the Legal Agreement, and all appendices, schedules and agreements supplemental to the Legal Agreement.”
17. Paragraph 69 of the Appendix.

18. Paragraph 72 of the Appendix, modified to read as follows:

""Loan Agreement" means the Legal Agreement."

19. Paragraph 74 of the Appendix, modified to read as follows:

""Loan Party" means the Borrower."

Section III. Anti-Corruption Guidelines for World Bank Guarantee and Carbon Finance Transactions

The purpose of these Guidelines is to clarify the meaning of the terms “Corrupt Practices,” “Fraudulent Practices,” “Coercive Practices,” “Collusive Practices” and “Obstructive Practices” in the context of World Bank project-based guarantee operations and carbon finance transactions, where the World Bank, as trustee of a carbon fund, purchases emission reductions under an emission reductions purchase agreement.

1. Corrupt Practices

A “Corrupt Practice” is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.

Interpretation

A. Corrupt practices are understood as kickbacks and bribery. The conduct in question must involve the use of improper means (such as bribery) to violate or derogate a duty owed by the recipient in order for the payor to obtain an undue advantage or to avoid an obligation. Antitrust, securities and other violations of law that are not of this nature are excluded from the definition of corrupt practices.

B. It is acknowledged that foreign investment agreements, concessions and other types of contracts commonly require investors to make contributions for bona fide social development purposes or to provide funding for infrastructure unrelated to the project. Similarly, investors are often required or expected to make contributions to bona fide local charities. These practices are not viewed as Corrupt Practices for purposes of these definitions, so long as they are permitted under local law and fully disclosed in the payor's books and records. Similarly, an investor will not be held liable for corrupt or fraudulent practices committed by entities that administer bona fide social development funds or charitable contributions.

C. In the context of conduct between private parties, the offering, giving, receiving or soliciting of corporate hospitality and gifts that are customary by internationally-accepted industry standards shall not constitute corrupt practices unless the action violates applicable law.

D. Payment by private sector persons of the reasonable travel and entertainment expenses of public officials that are consistent with existing practice under relevant law and international conventions will not be viewed as Corrupt Practices.

E. The World Bank Group does not condone facilitation payments. For the purposes of implementation, the interpretation of “Corrupt Practices” relating to facilitation payments will take into account relevant law and international conventions pertaining to corruption.

2. Fraudulent Practices

A “Fraudulent Practice” is any action or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial benefit or to avoid an obligation.
A. An action, omission, or misrepresentation will be regarded as made recklessly if it is made with reckless indifference as to whether it is true or false. Mere inaccuracy in such information, committed through simple negligence, is not enough to constitute a "Fraudulent Practice" for purposes of World Bank Group sanctions.

B. Fraudulent Practices are intended to cover actions or omissions that are directed to or against a World Bank Group entity. It also covers Fraudulent Practices directed to or against a World Bank Group member country in connection with the award or implementation of a government contract or concession in a project financed by the World Bank Group. Frauds on other third parties are not condoned but are not specifically sanctioned in World Bank Guarantee or carbon finance operations. Similarly, other illegal behavior is not condoned, but will not be sanctioned as a Fraudulent Practice under the World Bank sanctions program as applicable to World Bank Guarantee or carbon finance operations.

3. COERCIVE PRACTICES

A "Coercive Practice" is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

INTERPRETATION

A. Coercive Practices are actions undertaken for the purpose of bid rigging or in connection with public procurement or government contracting or in furtherance of a Corrupt Practice or a Fraudulent Practice.

B. Coercive Practices are threatened or actual illegal actions such as personal injury or abduction, damage to property, or injury to legally recognizable interests, in order to obtain an undue advantage or to avoid an obligation. It is not intended to cover hard bargaining, the exercise of legal or contractual remedies or litigation.

4. COLLUSIVE PRACTICES

A "Collusive Practice" is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.

INTERPRETATION

Collusive Practices are actions undertaken for the purpose of bid rigging or in connection with public procurement or government contracting or in furtherance of a Corrupt Practice or a Fraudulent Practice.

5. OBSTRUCTIVE PRACTICES

An "Obstructive Practice" is (i) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making of false statements to investigators, in order to materially impede a World Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice, and/or threatening, harassing or intimidating any party to prevent it from disclosing its
knowledge of matters relevant to the investigation or from pursuing the investigation, or (ii) acts intended to materially impede the exercise of the World Bank's access to contractually required information in connection with a World Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice.

**INTERPRETATION**

Any action legally or otherwise properly taken by a party to maintain or preserve its regulatory, legal or constitutional rights such as the attorney-client privilege, regardless of whether such action had the effect of impeding an investigation, does not constitute an Obstructive Practice.

**GENERAL INTERPRETATION**

A person should not be liable for actions taken by unrelated third parties unless the first party participated in the prohibited act in question.