

AGREEMENT FOR THE PROVISION OF DEVELOPMENT SERVICES

This Agreement for the Provision of Development Services (the “Agreement”) is made between the United Nations Development Programme, a subsidiary organ of the United Nations, having its headquarters at One United Nations Plaza, New York, NY 10017, United States of America (hereinafter “**UNDP**”), and the Ministry of Economy and Finance on behalf of the Government of Uruguay (hereinafter called “the **Government**”), with registered offices in Colonia 1089, Third Floor, Montevideo, Uruguay (hereinafter called “the **Recipient**”).

WHEREAS, the Recipient has requested UNDP to provide the development services as described herein, and under Annex 1, attached, in further detail, hereinafter the “**Recipient’s Programme or Project**” that will assist the Recipient in connection with Uruguay’s potential Sovereign Bond Linked to Climate Change Indicators (SSLB) issuance (hereinafter SSLB);

WHEREAS UNDP and the Government have concluded an agreement (hereinafter called the “Development Services Project Document-Uruguay”, attached as Annex 1) approving UNDP’s provision of these development services to the Recipient;

WHEREAS the UNDP Strategic Plan for the 2022-2025 period approved by the Executive Board provides for UNDP to work at the global, regional and country level to contribute to Sustainable Development Goals achievement with all types of partners contributing to development results including governments, civil society, international organizations and the private sector, in areas where UNDP holds a collaborative advantage;

WHEREAS in response to the Recipient’s request, UNDP, through its office located in Uruguay, submitted a Proposal to the Recipient submitted as Annex 1 and 2, which was accepted by the Recipient;

NOW, THEREFORE, UNDP and the Recipient (hereinafter jointly the “Parties) hereby agree as follows:

Article 1. SCOPE OF WORK

1.1 UNDP shall provide the development services and deliverables, (the “Development Services”), as set forth in the Development Service Project - Uruguay Document attached hereto as Annex 1 and 2, in accordance with and subject to the terms and conditions of this Agreement.

1.2 The Development Services shall be provided by UNDP through its Office located in the city of Montevideo, Uruguay.

1.3 In the event the Recipient requests additional development services related to the Recipient's Programme, and UNDP agrees to provide such additional services, which shall be added to the scope of the Development Services as an amendment, the provision of such additional services, which shall be referred to as "Additional Development Services", shall be governed by the terms hereof.

Article 2. TERM

Following the Effective Date, as such term is defined in Article 8:

2.1 Commencement date: UNDP shall commence providing the Development Services on the date set forth in Annex 1 the Development Service Project - Uruguay Document (hereinafter called the "Commencement Date"), PROVIDED that the Recipient has fulfilled all of the duties and responsibilities assigned to it, including those specified under Article 4 (as set forth in Article 7 Special Terms and Conditions) and Article 7 of the General Conditions (Annex 3) (the Commencement Date").

2.2 Completion date: It is expected that the Development Services will continue until the date of maturity of the SSLB.

Article 3. COMPENSATION

3.1 The amount payable by the Recipient to UNDP for the Development Services, excluding any eventual Additional Development Services or any other amendment hereto shall be subject to Service fee adjustments as further described in Clause 3.4 below. The Recipient shall compensate UNDP for the provision of the Development Services in accordance with the Schedule of Payments set forth in Annex 2.

3.2 Compensation for any Additional Development Services that may be provided by UNDP relating to the Recipient's Programme further to Article 1, shall be as agreed by the Parties and shall be contained in an amendment hereto.

3.3 The Schedule of Payments for the Development Services under this Agreement shall remain in effect for a period of 5 (five) years from the Commencement Date. After this period lapse, the fees will be adjusted to UNDP's then-current rates and the fees for such services and will be reflected in an amendment to this Agreement.

3.4 Unless otherwise agreed, UNDP shall submit payment notices at the intervals specified in Annex 2. UNDP's Fees for the Development Services provided by UNDP must be paid by the Recipient before UNDP continues the provision of Development Services. Each payment notice will reflect the estimated fee for the following period, and the additional out-of-pocket expenses that are due for reimbursement from prior periods. The Recipient shall review each payment notice promptly and subject to the settlement of any

queries or disputes, shall process settlement within thirty (30) calendar days of the date of the payment notice.

3.5 All payments should be made by the Recipient to the following Bank account of UNDP:

Account Name	United Nations Development Programme
Account Number	Checking account 1216864
Bank Name	BBVA
Bank Address	25 de mayo 401 esq Zabala.
SWIFT code	BBVAUYMM

Article 4. CONTACT PERSONS

Any notifications required hereunder, and communications in connection with Development Services shall be clearly marked, addressed and delivered as follows:

For UNDP:

Alfonso Fernandez de Castro,
Resident Representative,
UNDP,
Paraguay 1470, Fifth Floor,
Montevideo, Uruguay, CP 11.100.
fouru@undp.org

For Recipient:

Uruguay,
Ministry of Economy and Finance,
Public Debt Management Unit (UGD),
Colonia 1089, Third Floor, CP 11.100,
Montevideo, Uruguay.
debtinfo@mef.gub.uy

Article 5. UNDP's REPORTING

5.1 UNDP will report to the Recipient on the Development Services provided to the Recipient as provided for in the Methodological Note and **Annex 1**.

5.2 In line with international standards concerning issuance of instruments of this nature, the Recipient will agree under the contact of the Bond that, if for any reason it is not possible to externally calculate, report

or verify in a timely manner compliance with one, or both, SSLB indicators during the year established for target compliance monitoring, a coupon increase will be activated. This means that the UNDP's failure to submit reports in the agreed upon terms would result in serious damage for the Recipient.

Article 6. GENERAL TERMS AND CONDITIONS

6.1 The standard UNDP General Conditions for Provision of Development Services, attached as **Annex 3**, shall apply to this Agreement, and any subsequent agreements/amendments to this Agreement concluded in accordance with Article 1 above.

Article 7. SPECIAL TERMS AND CONDITIONS

7.1 The following sections of the UNDP General Conditions for the Provision of Development Services are hereby attached as Annex 3 ("General Conditions"), as follows:

7.1.1 Article 4 (Recipient's Duties, Responsibilities and Representatives) (the "General Conditions") is replaced with the following article:

"Article 4 (Recipient's Duties, Responsibilities and Representatives):

4.1 The Recipient shall make available to UNDP, in a timely manner and no cost for UNDP, all technical data, software, files, documents and test data, sample results, emission reports, databases and charts, KPI value calculations, technical records and any other information, materials, resources and staff that UNDP shall require for the provision of the development services herein.

4.2. The Recipient warrants to the UNDP the accuracy, integrity, quality, reliability and completeness of all technical data, files, documents, test data, sample results, emission reports, databases or sheets, KPI value calculations and technical records, as well as any other data and materials made available to UNDP pursuant to this Agreement.

4.3 The Recipient shall be responsible and assume the risk of any matters or problems resulting from the content, accuracy, integrity, software, files, documents, test data, sample results, emission reports, databases or sheets, KPI value calculations, technical records, from any other information, resources of staff provided by the Recipient. The Recipient shall release UNDP from all claims, liabilities, losses, damages and expenses (including costs for UNDP professional time fees) arising from the content, inaccuracy, incompleteness, or any other deficiency in the data, reports, calculations and, in general, the information, provided by the Recipient to UNDP for the provision of the Development Services under this Agreement.

4.4 If Recipient makes its staff available to UNDP to assist with the Development Services provision, the staff made available by the Recipient shall in no way be construed as UNDP staff or associates and, among others,

shall not be covered by the privileges and immunities granted to the UNDP and shall not be considered as part of the UNDP's security arrangements.

4.5. The Recipient recognizes and acknowledges that, for the provision of the Development Services herein, the UNDP shall solely use the data, reports, calculations, information and materials provided by the Recipient to UNDP for such purposes. The Recipient shall expressly clarify in the bond issuance framework that the UNDP shall provide the Development Services based solely on documents and information provided by the Recipient.”

7.1.2 Article 9 (Compensation and Liability) of the General Terms and Conditions is replaced with the following article:

“Article 9 (Compensation and Liability):

9.1 The Recipient agrees to hold UNDP harmless and defend UNDP against any claim, liability, loss, damage or expense in which UNDP may incur as a result of any claim submitted by third-parties against UNDP or an Executing Body, against their staff or against other persons providing their own services as part of the Development Services provision, as determined by an enforceable court judgment or a final arbitration award, not appealable, except when such claims are the result of negligence or willful misconduct by the UNDP in the provision of the Development Services.

9.2 Notwithstanding the foregoing, and in order to avoid any doubts, the Recipient expressly acknowledges that UNDP shall not be liable in any way for the performance or market valuation of the SSLB and the Recipient shall hold the UNDP harmless, pursuant to this Article, from any third-party claim relating to the performance of the bond. The Recipient shall include in the SSLB description, an express clarification that the UNDP does not assume any responsibility arising from or related to the impact that the Development Services may have on the interest rate or any of the other terms and conditions of the Bonds. The Recipient shall also include in the SSLB framework a description of the consulting services provided by the UNDP to the Government in the design of the SSLB.

9.3 Notwithstanding the above, the Recipient shall not be liable for the loss of profit or any other indirect, consequential, incidental, punitive or special damages.

9.4 Under no circumstances, UNDP, its members, staff, officers or other employees or advisors be liable, whether financially or other, under any of the clauses herein, except for the conditions set forth in Article 8 of the General Conditions, and except in situations of negligence or willful misconduct, as set forth in this Article.”

7.1.3 Article 17 (Term and Termination) of the General Conditions is replaced with the following text:

“17. Article 17: Term and termination

17.1 The term of this Agreement shall start on the Effective Date and shall continue in effect until the Completion date, unless terminated earlier in accordance with the terms of this Agreement.

17.2

Either Party may request the termination of this Agreement in the event of a breach by the other Party of its obligations under this Agreement. For such purposes, the Party wishing to request termination shall give 30-day written notice to the other Party. If the non-compliant Party fails to remedy the breach within such 30-day period, the Agreement shall be considered terminated upon expiration of such period.

17.3 UNDP shall have the right to terminate this Agreement in case of conflict of interest or damage to its reputation, given prior written notice to the Recipient. In such cases, UNDP shall continue to provide the Services during the year in which UNDP sends such notification of termination; if the notice is sent after May 15, UNDP shall be obligated to continue to provide the Services through the year following the notification of termination. The Agreement shall terminate once the Services for that year are performed by UNDP and paid for by the Recipient pursuant to the terms of this Agreement.

17.4 In all cases of early termination as provided for in "Article 17" the Recipient shall pay to UNDP the costs incurred and not yet paid for the Development Services provided up to the effective date of termination pursuant to the terms of this Agreement.

17.5 Upon expiration or termination of this Agreement, each Party shall promptly return or, at the request of the other Party, destroy all documents and other tangible objects that may contain or represent Confidential Information of the other Party, except when such documents must be saved to meet auditing or regulatory requirements."

7.1.4 Article 15.4 (CONFIDENTIAL NATURE OF DOCUMENTS AND INFORMATION) of the General Conditions is replaced with the text below:

15.4 UNDP may disclose Information to the extent required by the Charter of the United Nations, resolutions or regulations of the General Assembly or rules passed by the Secretary-General, and pursuant to its Information Disclosure Policy, provided that the UNDP gives the Government enough prior notice of such

requirement to disclose this Information, so as to allow the Government a reasonable time to take protective measures or any other actions they may deem appropriate before the potential disclosure."

7.1.6 Article 13.1 (Copyrights, Patents and other Intellectual Property) of the General Conditions is replaced with the text below:

"13.1 Except otherwise expressly stated in writing under the Agreement, the Recipient shall have the right to all Intellectual Property rights and other property rights, included but not limited to, patents, copyrights, trademarks associated to the products, processes, inventions, ideas, technical knowledge, documents or other materials UNDP has developed for the Recipient under this Agreement and that are directly linked to them or are produced, prepared or compiled as a result of or during the term of this Agreement (the "Materials").

8. Term of the agreement

8.1 This Agreement shall enter into force on the date it is signed by the Parties and if the Parties sign on different dates, on the date the last signature.

8.2 This Agreement including its Annexes, which form an integral part of the Agreement, supersedes all prior oral or written agreements, if any, between the Parties and constitutes the entire agreement between the Parties with respect to the provision of the Development Services.

8.3 This Development Services Agreement may be extended by agreement of the Parties in accordance with the terms of this Agreement.

IN WITNESS WHEREOF, the duly authorized representatives of the PARTIES have signed this Agreement.

For and on behalf of:

United Nations Development Programme
(UNDP)

Uruguay (ROU)

Ministry of Economy and Finance (MEF)

Signature:

Signature:

Date:

Date:

Methodological Note for the External Verification of the SSLB Indicators

The Government of Uruguay (Recipient) has requested UNDP to fulfill the role of external verifier of the key performance indicators (“KPIs”) for the potential issuance of a Sovereign Bond Linked to Climate Change Indicators (SSLB). These indicators will be focused on climate change and native forest protection, aligned with the objectives set forth in the first Nationally Determined Contribution (NDC) of Uruguay submitted to the Paris Agreement in 2017.

For KPI-1 (Intensity of aggregate emissions of CO₂, N₂O and CH₄ expressed in CO₂ equivalent per unit of real GDP), the annual technical review will focus on:

- i) SSLB Emissions Report (EMR) prepared by the NGHGI Working Group of the National Response System to Climate Change and variability (SNRCC).
- ii) SSLB KPIs Report (KPIR) that contains the calculation of the KPI-1, carried out by the pMRV (programming, Measurement, Reporting and Verification) Working Group of the SNRCC.

For KPI-2 (Native Forest Area), the process will consist of a technical review every four years of:

- i. SSLB Native Forest Report (NFR) prepared by the General Forestry Directorate (DGF) with the collaboration of the National Directorate for Climate Change (DINACC).
- ii. SSLB KPIs Report (KPIR) that contains the calculation of the KPI-2, carried out by the pMRV Working Group of the SNRCC.

The measurement of KPI 1 will be carried out annually with a lag of one year; the measurement of KPI-2 will be prepared through a cartography in the years 2022, 2026 and 2030, 2034 with annual lag (corresponding to the years 2021, 2025, 2029 and 2033, respectively).

The Government will deliver to UNDP the reports referred to above for the purpose of external verification, on the following dates, according to each of the KPIs:

For KPI-1:

- a. EMR no later than January 15 of each year;
- b. KPIR no later than April 15 of each year.

For KPI-2:

- a. NFR no later than January 15 of the subsequent year of the cartography;
- b. KPIR no later than April 15 of the subsequent year of the cartography.

The external verification report will be available within a period not exceeding 1 (one) calendar month after the Government delivers the KPIR to UNDP (no later than May 15 of the year after the cartography is carried out), provided that the Government has previously delivered to UNDP, the reports referred to for KPI 1 and KPI 2 (EMR and NFR), on the above agreed dates and years. The verification report should be delivered in Spanish and English and will be published on the website of the Ministry of Economy and Finance of Uruguay.

Technical review of the Annual Emissions Report (EMR)

The review will be conducted according to the methodology contained in the United Nations Framework Convention on Climate Change's Guide for Peer Review of National Greenhouse Gas Inventories¹. The

¹https://unfccc.int/files/national_reports/non-annex_i_natcom/application/pdf/final_guide_for_peer_review_report_final_webupload.pdf

analysis will be based on the EMR, the KPIR, the IPCC Software databases or another calculation tool, and the auxiliary data spreadsheets included in the annual emissions report. The review exercise will be based only on the applicable sections of the Guide, considering that the EMR is not a complete Inventory.

In addition, the review will contain a conclusion on the inventory quality, assessed primarily through the examination of the inventory indicators and principles related to Transparency, Accuracy, Consistency, Comparability and Completeness (TACCC principles), established for reporting in the IPCC 2000 and 2003 Good Practice Guidance and also incorporated in the 2006 IPCC Guidelines.

Considering the methodology used by Uruguay to prepare the inventory, its adherence to the indications provided in the 2006 IPCC Guidelines for National Greenhouse Gas Inventories and any subsequent version or refinement approved by the CMA, will also be examined.

Consideration will also be given, as appropriate, to the guidelines for National Greenhouse Gas Inventories for Non-Annex I Countries contained in:

(i) the UNFCCC Guidelines for the submission of Biennial Update Reports of Parties not included in Annex I to the Convention (Guidelines for BURs), Annex III to Decision 2/CP.17 (UNFCCC, 2011);

(ii) the Guidelines for the Preparation of National Communications from Parties not included in Annex I to the Convention (Guidelines for National Communications) Annex to Decision 17/CP.8 (UNFCCC, 2002)

iii) the Modalities, procedures and guidelines for the transparency framework for measures and support referred to in Article 13 of the Paris Agreement of Decision 18/CMA.1 (UNFCCC, 2018).

Based on the above, the technical review of the EMR will conclude on:

- Adherence to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
- Whether the key requirements for the Inventories of Decisions 17/CP.8, 2/CP.17 and 18/CMA.1 are met.
- The quality of the EMR, assessed primarily through the review of TACCC inventory indicators and principles established for reporting in the IPCC Good Practice Guidelines 2000 and 2003 and also incorporated into the 2006 IPCC Guidelines.
- any revision of the historical values of GHG emissions, derived from inventory adjustments, including additional data sources and recalculations due to methodological improvements.

The conclusions of the technical review will be shared with the Government of Uruguay before April 10 of each year, prior to the submission of the KPIR by the Government to UNDP.

Technical review of the Annual Native Forest Report (NFR)

The technical review of the Native Forest Report will be conducted according to the following criteria:

- i. The adherence to international best practice for estimation of forest area change over time, particularly on the application of remote sensing techniques, as contained in the relevant provisions of the 2006 IPCC Guidelines and the IPCC 2003 Good Practice Guidance.
- ii. Consultation with a secondary source of best practice, the Global Forest Observations Initiative (GFOI) Methods and Guidance (MGD). The application of the methodology should be consistent with the guiding principles for remote sensing data sources and methods contained in the GFOI guidance document and the relevant provisions on forest area change detection and accuracy assessment.
- iii. The quality of the report on native forest area will be assessed within the framework of the TACCC principles (transparency, accuracy, consistency, comparability, completeness), as established by the IPCC.

- iv. Consistency in methodology, definitions, and comprehensiveness between the base year native forest area calculation and the years within the reporting period put forward in the bond report undergoing verification
- v. In terms of accuracy, the sources of error included in the accuracy assessment will be looked at, as well as the process implemented to minimize systematic and random errors.

Based on the above, the technical review of the Native Forest Report will conclude on:

- i The adherence to international best practice for estimation of forest area change over time, particularly on the application of remote sensing techniques and satellite images, as contained in the relevant provisions of the 2006 IPCC Guidelines and the IPCC 2003 Good Practice Guidance.
- ii The consistency with the relevant provisions and guiding principles of the Global Forest Observations Initiative (GFOI) Methods and Guidance (MGD).
- iii The quality of the report, through the examination of the TACCC principles as established by the IPCC.

The conclusions of the technical review will be shared with the Government of Uruguay before April 10 of each year, prior to the submission of the KPIR by the Government to UNDP.

Technical review of the KPI Report (KPIR)

For each KPI, the application of the calculation methodology established in the SSLB framework will be verified, presented in detail in the technical sheet corresponding to each objective. The elements and variables to be considered in the review and technical verification of the calculation of the KPIs will be those included in the technical sheet.

The technical sheets contain the indicator calculation formula, the definition of the indicator variables, the methodology for the calculation, the data sources and the data collection process. Technical sheets establish the baseline values or baseline period, target values or target periods, the section of the NDC to which the indicator belongs and the NGHGI sector, activity and sectoral carbon pools included in the indicator.

Since KPI-1 is an intensity metric, the denominator (real GDP) will also be verified. At the time of the signing of this agreement, the real GDP published by the Central Bank of Uruguay (BCU) has a 2016 base, and the MEF conducted a back-casting of GDP series between 1990 and 2015 using as a source the public information available from the National Accounts Statistics published the Central Bank of Uruguay (BCU)