



**Ms. Isabel St. Malo de Alvarado**  
Vice-president and Minister of External Affairs  
Republic of Panama

Re: GENISA Temporary Suspension

Panama's outstanding development and progress has been supported with important investments in the energy sector and such investments could be expected to continue at a higher pace given the rapid growth that has characterized the Panamanian economy. Multilateral agencies including CABEL, DEG and FMO, have been committing and investing decisively in the expansion of a clean energy sector, collectively supporting the addition of 822 MW to the system.

Part of that effort is evidenced through the financing extended by CABEL, DEG and FMO (the "**Lenders**") to Generadora del Istmo, S.A. ("**GENISA**") in respect of the development, design, engineering, procurement, construction, testing, commissioning, operation and maintenance of the approximately 28.56 MW hydroelectric power plant "Barro Blanco", situated in the Tabasará River watershed in the Tolé District of Chiriquí Province, Republic of Panamá (the "**Barro Blanco Project**").

We have received with great concern and consternation the recent announcement by *Autoridad Nacional del Ambiente* ("**ANAM**") of the temporary suspension of the construction works of the Barro Blanco Project, which is currently at an advanced level of completion. The Lenders to the Barro Blanco Project were given to understand that the suspension of works was enacted due to failure to comply with certain environmental requirements, as laid out in local regulations. As development finance institutions CABEL, DEG and FMO treat the environmental and social performance of our clients and the projects they develop (including the Barro Blanco Project) with the utmost importance and are respectful of, and require compliance with, local environmental frameworks. As a consequence, we always require our borrowers to comply with all applicable laws, including environmental law. Having said that we feel that- prior to halting the construction works- ANAM should have afforded GENISA sufficient timeframe so as to respond to ANAM's report in order to shed some light in respect of its alleged noncompliances. This is of specific relevance as the sanction of forced work stoppage is typically implemented only if there is either a repeated ignoring of warnings or notices of non-compliance, or if the non-compliance causes acute and direct material negative impacts or danger which can only be corrected by work stoppage. It is, furthermore, a measure which ANAM rarely implements in absence of urgent need and almost never in circumstances such as the ones currently present with regards to the Barro Blanco Project. We therefore request that works on the Barro Blanco Project be authorized to resume while ANAM is considering Genisa's appeal.

Separately, as Lenders to GENISA, we also kindly request that the government promote an agreement with regard to the remaining open land issue among the various stakeholders.

As is common practice in international project finance, the Lenders have assembled a group of experts to ensure the Barro Blanco Project is developed in compliance with applicable laws (including environmental laws), according to plan and with the highest standards. Among these experts, the Lenders engaged Hatch Limited ("**Hatch**"), an international expert in environmental and social issues, as the engineering and environmental and social advisor to the Lenders to monitor and advise during the construction period of the Barro Blanco Project. Hatch, in its role as Lender's environmental and social advisor, has provided



periodic monitoring of the construction and review of documentation in accordance with international standards. The findings of the reports prepared and provided to us by Hatch do not echo the alleged noncompliances mentioned by ANAM in its notice to suspend construction works.

As Lenders of the of the Barro Blanco Project, but more importantly, as lenders to projects in Panama in general, we fear that actions such as the one taken against GENISA may weigh upon future investment decisions, and harm the flow of long-term investments into Panama. We ask the relevant authorities, including ANAM, to take prompt action in search of reaching a favorable agreement by all stakeholders involved in the Barro Blanco Project.

Thank you, in advance, for your consideration to this letter. We look forward to a prompt resolution of the matter at hand.

Truly yours,

**CENTRAL AMERICAN BANK FOR ECONOMIC  
INTEGRATION,**  
as lender

By \_\_\_\_\_

Title:

**NEDERLANDSE FINANCIERINGS-  
MAATSCHAPPIJ VOOR  
ONTWIKKELINGSLANDEN N.V.,**  
as lender

By \_\_\_\_\_

Title:

**N.D. Kletter**  
Chief Executive Officer

**DEUTSCHE INVESTITIONS- UND  
ENTWICKLUNGSGESELLSCHAFT MHB,**  
as lender

By \_\_\_\_\_

Title:

Bruno Wenn, CEO