

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
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AGENDA

PR-688-1
8 October 1975
Original: Spanish

Reference: Barbados. Loan and technical cooperation proposal for a sewerage project in Bridgetown (Document PR-688)

As agreed upon at the meeting of the Committee of the Whole on October 2, 1975, during consideration of Document PR-688, the following changes have been made:

In the proposed resolution

- Clauses 8(d), 8(e) and 8(f) were amended to increase to 30 months, 45 months and 120 days, respectively, the terms for fulfillment of the conditions established in those clauses.
- Clause 8(h) was redrafted in connection with the presentation of rates by the borrower to the Bank.

In the loan proposal

- Recommendation 2 of Appendix B was amended to stipulate that, in addition to loans for household connections, donations chargeable to the revolving fund in the equivalent of US\$300,000 could be made and that the borrower will agree, in the regulations governing its utilization, to maintain that fund at a minimum level equivalent to US\$100,000 for a term of 10 years either through loan recoveries or by direct contributions from its budget.

Please replace Appendices A, B and C of Document PR-688 with the revised versions attached.

Reference document: PR-688

Other distribution:

Board of Executive Directors
Managers and Advisors
Division Chiefs
Representative in Barbados

PROPOSED RESOLUTION

BARBADOS. LOAN TO BARBADOS
(Sewerage System for Bridgetown)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with Barbados for the purpose of granting it a loan to cooperate in the financing of a project for the construction of a sewerage system for the central area of the city of Bridgetown ("Project"). This loan shall be subject substantially to the following conditions:

1. Amount and currencies: Up to US\$9,700,000 or the equivalent in other currencies which are part of the Fund for Special Operations, of which amount: (a) up to US\$9,500,000 or the equivalent in other currencies (except that of Barbados) shall be disbursed to pay for goods and services originating in the member countries of the Bank and for such other purposes as may be specified in the loan contract, and (b) up to the equivalent of US\$200,000 shall be disbursed in Barbadian dollars to cover local expenses. Payments of amortization and interest shall be effected in the respective currencies disbursed, in accordance with provisions to be included in the loan contract.
2. Source of funds: The Fund for Special Operations.
3. Guarantee: The general responsibility of the borrower.
4. Credit fee: 1/2 of 1% per annum on the undisbursed portion of the loan, of the sum indicated in paragraph 1(a) of the resolution, commencing to accrue on the date on which the Bank makes its first disbursement for the Project, other than for inspection and supervision, or 12 months from the date of this resolution, whichever first occurs. The fee shall be payable semiannually in United States dollars on the same dates as the interest.

5. Amortization: The borrower shall amortize the loan in a period of 35 years from the date of the contract, by means of 54 consecutive, semiannual and, so far as possible, equal installments. The first installment shall be paid 8-1/2 years after the date of the contract.
6. Interest: 2% per annum, payable semiannually on principal amounts outstanding. The first payment shall be made 6 months after the date of the contract. At the request of the borrower the resources of the loan may be used to pay the interest on the loan during the period of its disbursement.
7. Disbursement: Total disbursement of the loan shall be made within a period of 4 years from the date of the contract.
8. Special conditions:
 - (a) The resources of the loan shall be utilized in their entirety by the Ministry of Health and Welfare, ("Ministry") through its Project Execution Unit referred to in paragraph 8 (c)(i) of this resolution. If modifications in the legal provisions or the basic regulations concerning the Project Execution Unit and subsequent to its creation, the Statutory Authority referred to in paragraph 8(d) of this resolution ("Authority"), are approved which, in the opinion of the Bank, may substantially affect the Project, the Bank may take such measures as it may deem appropriate in accordance with the provisions set forth in the loan contract.
 - (b) The loan shall be used to participate in the financing of a Project estimated at the equivalent of US\$13,622,000, and in no case shall the participation of the resources of the loan exceed 71.2% of the total amount of the Project. Consequently, the loan contract shall contain such provisions as the Bank deems appropriate to ensure that such national resources as may be necessary, in addition to the loan, for the complete execution of the Project, shall be duly provided in an amount estimated at the equivalent of US\$3,922,000, in accordance with a schedule of investments satisfactory to the Bank.
 - (c) Prior to the first disbursement of the loan, the borrower, through the Ministry shall present to the Bank evidence that: (i) the Project Execution Unit created within the Ministry to administer the Project has commenced to operate with the necessary qualified and experienced personnel acceptable to the Bank; (ii) a consulting engineering firm acceptable to the Bank has been contracted to assist

in the supervision of the Project in accordance with the conditions to be set forth in the loan contract; (iii) a program and schedule, in accordance with the draft previously approved by the Bank, shall have been adopted for the relocation of those people who will be displaced as result of construction under the Project, including adequate provision for the financing of dwellings necessary for the relocation of such persons.

- (d) Within 30 months of the date of the loan contract, the borrower shall present evidence that an Authority has been legally created as an administratively, financially autonomous entity which shall have under its jurisdiction the production and distribution of potable water in Barbados, as well as the administration of the sewerage system financed under the Project upon the completion thereof, and any other sewerage system that may in the future be constructed in Barbados, in accordance with the recommendations of the consultants contracted for such purpose pursuant to the Technical Cooperation Agreement authorized by Resolution DE- /75, or such other recommendations as may be agreed to between the Bank and the borrower.
- (e) Within 45 months of the date of the loan contract, the borrower shall present evidence to the Bank that: (1) the Authority is fully operating the water system of Barbados and that such system has been transferred as a capital contribution by the borrower to the Authority; and (2) the borrower has provided for the payment of the liabilities relating to the water supply system out of funds other than those belonging to the Authority or out of the future income of the Authority.
- (f) The borrower shall present evidence to the Bank that within 120 days of the completion of the Project, the staff of the Project Execution Unit shall have been merged into the Authority and that the ownership of the sewerage system has been transferred by the borrower to the Authority as a capital contribution to the latter.
- (g) The borrower shall agree that for a period of 8 years from creation of the Authority, approval of the Bank shall be obtained prior to: (i) incurring any long-term liability; or (ii) acquiring any fixed assets, undertaking any other expansion or improvement project, or making any distribution of earnings of any accumulated surplus, if the aggregate cost of such acquisition, project, or distribution, exceeds the equivalent of US\$500,000. The Bank shall indicate its agreement or disagreement within 30 working days from the

date of receipt at Bank headquarters of the request for agreement, accompanied by documents justifying such request. If the Bank is not in agreement with the request, it shall in its reply indicate in detail the reason for such opinion. If the Bank does not reply within 30 days, the request shall be considered approved.

- (h) The borrower shall take the appropriate measures acceptable to the Bank to ensure that the rates charged for the supply of water and for the provision of sewerage service by the Authority, shall be gradually increased in order that within three years of the completion of the Project and during the life of the loan, such rates produce revenues at least sufficient to cover all operating expenses of the water supply and sewerage systems, including those relating to the administration, operation and maintenance and to the extent possible, depreciation, taking into consideration the recommendations resulting from the Technical Cooperation Agreement in financial and tariff matters. In view of the foregoing such graduated rates shall be presented to the Bank within 30 months of the date of the loan contract.
- (i) The Borrower shall agree that the service of the loan shall be covered from its own resources, other than those of the Authority.
- (j) In the acquisition of machinery, equipment and other materials relating to the Project and in the awarding of construction contracts, the system of public bids shall be followed in each case in which the value of such acquisition or contracts exceeds the equivalent of US\$25,000. The bidding procedures shall be incorporated as an annex to the loan contract.
- (k) Notwithstanding the provisions of sub-paragraph (j) above, the Bank may authorize, upon request by the borrower, that certain works for the Project be carried out by force account for up to the equivalent of US\$800,000. On making such requests to the Bank, the borrower shall demonstrate the convenience to proceed in this manner based on the particular characteristics of the works and the existence of available construction capacity.
- (l) The Bank shall establish such inspection procedures as it deems necessary to assure the satisfactory execution of the Project, and the borrower, the Project Execution Unit and subsequent to its creation, the Authority, shall extend all cooperation which is required for the most effective accomplishment of this purpose. The amount to be charged to the resources of the Bank's financing and credited to the general income accounts of the Bank as the commission of the Bank for general inspection and supervision shall be established in the contract.

APPENDIX B

RECOMMENDATIONS

It is recommended that the following conditions, to be performed to the Bank's satisfaction, be included in the loan contract together with the conditions set forth in the proposed resolution:

1. Prior to the invitation to tender for the execution of specific works, the borrower shall present to the Bank:
 - (a) evidence that the necessary easements have been obtained, and the land where specific works are executed, has been acquired and is free of any legal encumbrance and that the relocation program referred to in paragraph 8(c)(iii) of the resolution has been fully implemented, and
 - (b) the final plans, specifications and the budget of the respective work.
2. The borrower shall agree to take the necessary measures to establish, with the national resources referred to in paragraph 8(b) of the resolution, a Fund in the amount of not less than the equivalent of US\$300,000, for loans and grants to low income families for the financing of inhouse installations, and shall, within 36 months of the contract present to the Bank proposed regulations for the utilization of such Fund. These regulations shall include the obligation of the borrower to maintain the Fund, utilizing the amounts repaid from these loans, or from contributions by the borrower, at not less than the equivalent of US\$100,000 per year for 10 years from the date of the loan contract.
3. During the first 90 days of each calendar year beginning with the calendar year in which the system is completed and for at least the first 10 years of operation of such sewerage system the borrower shall present to the Bank:
 - (i) an annual maintenance plan for the system which shall include details of the internal organization proposed to implement such plan, as well as the personnel and budget resources to be assigned thereto; and
 - (ii) a report covering the previous year which shall contain details regarding the operation and maintenance of the system, including information regarding the quality control of the effluent from the treatment plant. The report should also include measures proposed to be adopted to correct any deficiency which may be found in the system's operation.
4. The borrower shall agree to cover operating deficits, if any, incurred by the Authority in the operation of either the water supply or sewerage systems.

5. The borrower shall present to the Bank for its approval, within a period of 36 months from the date of the loan contract;
 - (i) the manuals and procedures which shall be utilized for the operation and maintenance of the sewerage system;
 - (ii) the regulations to be adopted for the proper utilization of the system, which shall include the obligation of owners of the buildings located in front of the sewer system to connect to such system and which either shall require all ships in the Bridgetown harbor to discharge liquid and solid wastes by connection to the sewerage system or to otherwise prohibit the discharge of such wastes in the territorial waters of Barbados; and
 - (iii) a plan for the collection of accounts relating to the supply of water which are more than 90 days past due.
6. The financial statements relating to the project and subsequent to its creation, the Authority shall be audited in accordance with provisions to be included in the loan contract, taking into consideration paragraph 3.51 of the Project Report.
7. The technical cooperation agreement authorized by Resolution DE- /75 shall be signed simultaneously with the loan contract.
8. The sum of US\$97,000 of the resources of the loan, shall be set aside to cover the commission of the Bank for general inspection and supervision.
9. The loan contract shall include annexes substantially similar in content to Appendix 3 (Description of Project) and Appendix 4 (Bidding Procedures) to this document.
10. The dollars of the United States of America to be utilized in the loan shall be drawn from the resources contributed to the Fund for Special Operations by virtue of the increases approved by Resolutions AG-2/65, AG-10/67 and/or AG-12/70.

DESCRIPTION OF THE PROJECT

(Annex B of the Loan Contract)

I. DESCRIPTION OF THE PROJECT

This Project is for cooperating in the construction of a sewerage system for the central area of the city of Bridgetown. 1/ The Project shall include the following works:

- (a) Construction of a system of sanitary sewers.
- (b) Construction of a sewage treatment plant.
- (c) Construction of an ocean outfall.
- (d) Installation of service connections.

II. COST AND FINANCING

2.01 The cost of the Project is estimated at approximately the equivalent of US\$13,622,000 as follows (US\$1,000):

<u>Categories of Investment</u>	<u>Bank</u>			<u>Borrower</u>	<u>Total</u>
	<u>Foreign exchange</u>	<u>Local currency</u>	<u>Sub-total</u>		
1. <u>Engineering and Administration</u>	243	-	243	290	533
1.1 Engineering and Supervision	243	-	243	145	388
1.2 Administration	-	-	-	145	145
2. <u>Direct Cost</u>	6,050	200	6,250	1,750	8,000
2.1 Service connections	-	-	-	300	300
2.2 Sanitary sewers	2,750	200	2,950	550	3,500
2.3 Sewage treatment plant	2,750	-	2,750	750	3,500
2.4 Ocean outfall	550	-	550	150	700
3. <u>Financial Charges</u>	397	-	397	122 <u>2/</u>	519
3.1 Interest and fees	300	-	300	122	422
3.2 Bank supervision	97	-	97	-	97
4. <u>Concurrent Costs</u>	210	-	210	810	1,020
4.1 Indemnification	-	-	-	810	810
4.2 Payment T.C. ATN/SF-1106	210	-	210	-	210
5. <u>Unallocated Funds</u>	2,600	-	2,600	950	3,550
5.1 Contingencies	600	-	600	200	800
5.2 Cost Escalation	2,000	-	2,000	750	2,750
TOTALS	<u>9,500</u> <u>3/</u>	<u>200</u>	<u>9,700</u>	<u>3,922</u>	<u>13,622</u>

1/ A technical cooperation will be provided for the creation of the Authority which will administer the system and for the preparation of a tariff study, according to the terms of the technical cooperation agreement N° which shall be signed simultaneously with the Loan Contract.

2/ Foreign currency for payment of the credit commission.

3/ Includes US\$2,428,000 for indirect foreign exchange costs.

2.02 The Project shall be financed as follows (US\$1,000):

	<u>Source of Funds</u>		<u>Expenditures to be made</u>			<u>%</u>
	<u>Foreign</u>	<u>Local</u>	<u>Foreign</u>	<u>Local</u>	<u>Total</u>	
a) Bank Loan	9,500	200	9,500 <u>1/</u>	200	9,700	71.2
b) Borrower	<u>122</u>	<u>3,800</u>	<u>122</u>	<u>3,800</u>	<u>3,922</u>	<u>28.8</u>
Totals	<u>9,622</u>	<u>4,000</u>	<u>9,622</u>	<u>4,000</u>	<u>13,622</u>	<u>100.0</u>
Percentages	70.6	29.4	70.6	29.4	100.0	

1/ Includes the equivalent of US\$2,428,000 in indirect foreign exchange costs.

III. BIDDING

The bidding procedures and specific bidding requirements shall permit free participation of bidders from member countries of the Bank and, consequently, such procedures and/or specific bidding requirements shall not contain any condition which may impede or restrict the participation of such bidders.

IV. SELECTION AND CONTRACTING OF CONSULTANTS OR CONSULTING FIRMS

In the selection and hiring of Consultants or Consulting Firms for the Project, the procedures prescribed in the Loan Contract and/or in the Technical Cooperation Agreement, as appropriate, shall be followed with the understanding that the Borrower shall not establish, for application either prior to or subsequent to the provision of services: (i) provisions or conditions preventing or restricting the selection and contracting of such Consultants or Consulting Firms of member countries of the Bank, or (ii) requirements or conditions based on the nationality of such Consultants or Consulting Firms of member countries of the Bank.