

LOAN CONTRACT No. 2278/OC-BA

between the

GOVERNMENT OF BARBADOS

and the

INTER-AMERICAN DEVELOPMENT BANK

Barbados Competitiveness Program

March 21, 2010

LOAN CONTRACT

SPECIAL CONDITIONS

INTRODUCTION

Parties, Purpose, Constituent Elements, and Executing Agency

1. PARTIES AND PURPOSE OF THE CONTRACT

CONTRACT entered into on March 21, 2010, between the GOVERNMENT OF BARBADOS (hereinafter referred to as the “Borrower”) and the INTER-AMERICAN DEVELOPMENT BANK (hereinafter referred to as the “Bank”) to cooperate in the execution of a Barbados Competitiveness Program (hereinafter referred to as the “Program”). The major aspects of the Program are described in detail in the Annex.

2. CONSTITUENT ELEMENTS OF THE CONTRACT AND REFERENCE TO THE GENERAL CONDITIONS

(a) This Contract consists of these Special Conditions, the General Conditions, and the Annex, which are attached hereto. If any provision of the Special Conditions or the Annex should present any inconsistency or contradiction with the General Conditions, the provisions of the Special Conditions or the Annex, as the case may be, shall prevail. In case of inconsistencies or contradictions between the Special Conditions or the Annex, specific rules shall prevail over general rules.

(b) Rules for the application of amortization, interest, credit fee, inspection and supervision and disbursement clauses, as well as other conditions related to project execution, are established in detail in the General Conditions. The General Conditions also include general definitions.

3. EXECUTING AGENCY

The parties agree that the execution of the Program and the utilization of the resources of the financing from the Bank shall be carried out in their entirety by the Borrower through the Ministry of Economic Affairs and Empowerment, Innovation, Trade, Industry and Commerce (hereinafter referred to as the “Executing Agency”). The Borrower undertakes that the Executing Agency will carry out the activities of the Program in accordance with the provisions set forth in this Contract.

CHAPTER I

Costs, Financing and Additional Resources

SECTION 1.01 Cost of the Program. The total cost of the Program is estimated to be the equivalent of eleven million eight hundred thousand dollars of the United States of America

(US\$11,800,000). Unless otherwise stated in this Contract, the term “dollars” hereinafter signifies the currency of legal tender in the United States of America.

SECTION 1.02 Amount of the Financing. In accordance with this Contract, the Bank agrees to grant to the Borrower, and the Borrower accepts, a financing (hereinafter referred to as the “Financing”), chargeable to the resources of the Single Currency Facility of the ordinary capital resources of the Bank, of up to ten million dollars (US\$10,000,000). The amounts disbursed from the Financing shall constitute the “Loan.” The Loan shall be a Single Currency Facility Loan with a LIBOR-Based Interest Rate.

SECTION 1.03 Currency Availability. Notwithstanding the provisions of Sections 1.02 and 3.01(a) hereof, if the Bank is unable to obtain access to the agreed upon Single Currency, the Bank may disburse the resources of the Financing in any other Single Currency of its choice, until such time as it is able to regain access to the agreed upon Single Currency. Amortization payments shall be made in the Single Currency disbursed, and interest and other financial charges shall be those which correspond to such Single Currency.

SECTION 1.04 Additional Resources. The amount of the additional resources which, pursuant to Article 6.04 of the General Conditions, the Borrower shall undertake to contribute in a timely manner for the complete and uninterrupted execution of the Program, is estimated to be the equivalent of one million eight hundred thousand dollars (US\$1,800,000), although this estimate shall not imply any limitation or reduction of the obligation of the Borrower under said Article. To compute the equivalency in dollars, the rules set forth in Article 3.06(b) of the General Conditions shall be followed.

CHAPTER II

Amortization, Interest, General Inspection and Supervision, and Credit Fee

SECTION 2.01 Amortization. The Loan shall be completely repaid by the Borrower by means of semiannual, consecutive, and, insofar as possible, equal installments. The first installment shall be paid fifty four (54) months after the date of the signature of the Loan Contract, taking into account the provisions of Article 3.01 of the General Conditions, and the last installment shall be paid no later than twenty five (25) years from the date of signature of the Loan Contract.

SECTION 2.02 Interest. (a) The Borrower shall pay interest on the daily outstanding balances of the Loan, at a rate determined pursuant to the provisions of Article 3.04 of the General Conditions for a Single Currency Facility Loan with a LIBOR-Based Interest Rate. The Bank shall notify the Borrower of the rate of interest applicable during each Quarter as soon as practicable after the determination thereof.

(b) Interest shall be payable semiannually, beginning six (6) months from the date of signature of this Loan Contract, taking into account the provisions of Article 3.01 of the General Conditions.

(c) The Borrower may request that all or part of the outstanding balance of the Loan with a LIBOR-Based Interest Rate be converted to a Fixed Interest Rate, or that all or part of the outstanding balance of the Loan with a Fixed Interest Rate be reconverted to a LIBOR-Based Interest Rate, pursuant to Article 3.04 of the General Conditions of this Contract.

SECTION 2.03 Resources for General Inspection and Supervision. During the disbursement period, resources of the Financing shall not be allocated to cover the Bank's expenses for general inspection and supervision, unless otherwise established by the Bank during said period as a result of its periodic review of financial charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology in ordinary capital loans, and the Borrower is notified by the Bank in this regard. Under no circumstance shall there be a charge for this purpose in any semester which is greater than the amount which results from applying 1% to the amount of the Financing, divided by the number of semesters included in the original disbursement period.

SECTION 2.04 Credit Fee. The Borrower shall pay a credit fee at a percentage that will be established by the Bank on a periodic basis as a result of its review of financial charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology in ordinary capital loans; provided that, under no circumstance, may it exceed the percentage contemplated in Article 3.02 of the General Conditions.

CHAPTER III

Disbursements

SECTION 3.01 Currencies of Disbursement and Use of Funds. (a) The amount of the Financing shall be disbursed in dollars from the Single Currency Facility of the ordinary capital resources of the Bank, to pay for works, goods and related services, and consulting services acquired through competitive bidding and for such other purposes as are indicated in this Contract.

(b) The resources of the Financing shall only be used for the payment of works, goods and related services, and consulting services originating in the member countries of the Bank.

SECTION 3.02 Special Conditions Precedent to First Disbursement. In addition to the conditions precedent stipulated in Article 4.01 of the General Conditions, the first disbursement of the resources of the Financing shall be subject to the fulfillment by the Executing Agency, to the satisfaction of the Bank, of the following requirements:

- (i) submission of evidence that: (a) the Program Coordination Unit has been established; and (b) the following staff members for such Unit have been employed: a Coordinator, a Deputy Coordinator, a Senior Accountant and a clerk/typist;

- (ii) submission of evidence that: (a) the Program Steering Committee and the Program Technical Committee have been established; and (b) the terms of reference for each such Committee have been approved; and
- (iii) submission of evidence that the Program Steering Committee has approved (a) the Program Operations Manual described in Section IV of the Annex; and (b) the first Annual Operating Plan.

SECTION 3.03 Reimbursements of Expenditures Chargeable to the Financing. With the consent of the Bank, resources of the Financing may be used to reimburse expenditures incurred or to finance those that may be incurred in the Program on or after December 15, 2009, and up to the date of this Contract, provided that requirements substantially similar to those set forth in this Contract have been fulfilled.

SECTION 3.04 Disbursement Period. The period for final disbursement of the resources of the Financing shall expire four (4) years from the effective date of this Contract.

SECTION 3.05 Revolving Fund. (a) For the purposes of the provisions set forth in Article 4.07(b) of the General Conditions, the amount of the Revolving Fund shall not exceed five percent (5%) of the amount of the Financing.

(b) The reports on the execution of the Program which the Borrower, through the Executing Agency shall submit to the Bank, in accordance with Article 7.03(a)(i) of the General Conditions, shall include the financial-accounting information about management of the Revolving Fund resources, upon request by the Bank.

CHAPTER IV

Execution of the Program

SECTION 4.01 Procurement of Works, Goods and Related Services. Works, goods and related services shall be procured in accordance with the provisions set forth in Document GN-2349-7 ("Policies for the procurement of works and goods financed by the Inter-American Development Bank"), dated July 2006 (hereinafter referred to as "the Procurement Policies"), which the Borrower, through the Executing Agency, declares to know, and pursuant to the Procurement Plan referred to in sub-section (d)(i) of this Section 4.01. In addition, the following provisions shall apply:

- (a) International Competitive Bidding: Except as otherwise provided in sub-section (b) of this Section, works, goods and related services shall be procured under contracts awarded in accordance with the provisions of Section II of the Procurement Policies and paragraphs 2 and 3 of Appendix 1 of said Policies. The provisions of paragraphs 2.55 and 2.56, and of Appendix 2 of said Policies, regarding the domestic margin of preference when comparing bids, shall apply to goods manufactured in the country of the Borrower.

- (b) Other Procurement Procedures: The following procurement methods may be used for the procurement of works, goods and related services that the Bank agrees meet the requirements established in the provisions of Section III of the Procurement Policies:
 - (i) National Competitive Bidding: For works estimated to cost less than three million dollars (US\$3,000,000) equivalent per contract and goods estimated to cost less than one hundred and fifty thousand dollars (US\$150,000) equivalent per contract, in accordance with the provisions of paragraphs 3.3 and 3.4 of the Procurement Policies and provided that the basic guarantees that bidding procedures must meet are complied with.
 - (ii) Shopping: For works estimated to cost less than one hundred and fifty thousand dollars (US\$150,000) equivalent per contract and goods estimated to cost less than fifty thousand dollars (US\$50,000) equivalent per contract, in accordance with the provisions of paragraph 3.5 of the Procurement Policies.
 - (iii) Other Methods of Procurement: May also be used in accordance with the provisions set forth in Section III of the Procurement Policies.
- (c) Additional Procurement Requirements. The Borrower, through the Executing Agency, shall carry out the procurement of works, goods and related services in accordance with the general plans, technical, social and environmental specifications, budgets and other documents required for the acquisition or the construction, and, as the case may be, the specific guidelines and other documents necessary for the call for prequalification or bids; and in the case of works, evidence that it has, prior to initiation of construction, with respect to the real property where the works will be constructed, the right of legal possession, easements or other rights necessary to initiate the construction.
- (d) Review by the Bank of Procurement Decisions:
 - (i) Procurement Planning: Prior to the issuance of any invitations to bid for contracts, the Borrower, through the Executing Agency, shall present the proposed procurement plan for the Program to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Procurement Policies. This plan shall be updated every twelve (12) months during Program execution or as required, and the updated version thereof shall be submitted to the Bank for its review and approval. Procurement of all goods, works and related services shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1 of Appendix 1 of the Procurement Policies.

- (ii) Prior Review: Unless the Bank agrees otherwise in writing, all contracts shall be subject to prior (*ex-ante*) review, in accordance with the procedures spelled out in paragraphs 2 and 3 of Appendix 1 to the Procurement Policies. The Borrower, through the Executing Agency, shall present to the satisfaction of the Bank evidence that it has complied with the requirements set out in subparagraph (c) of this Section.
- (iii) Ex-Post Review: With respect to each contract not governed by subsection (d)(ii) of this Section, the procedures set forth in paragraph 4 of Appendix 1 to the Procurement Policies shall apply. The Borrower, through the Executing Agency, shall make always available to the Bank, evidence that it has complied with the requirements set forth in subparagraph (c) of this Section.

SECTION 4.02 Maintenance. The Borrower, through the Executing Agency, undertakes to ensure that the works and equipment included in the Program shall be adequately maintained according to generally accepted technical standards. If from the inspections conducted by the Bank or from the reports it receives, it is determined that maintenance does not meet the levels agreed upon, the Borrower, through the Executing Agency, shall undertake the necessary measures to correct these shortcomings.

SECTION 4.03 Recognition of Expenses Chargeable to Local Contribution. The Bank may recognize as part of the local contribution expenditures incurred or which may be incurred in the Program on or after December 15, 2009, and up to the date of this Contract, provided that requirements substantially similar to those set forth in this Contract have been fulfilled.

SECTION 4.04 Contracting of consulting services. The selection and contracting of consulting services will be carried out by the Borrower, through the Executing Agency, in accordance with the provisions set forth in Document GN-2350-7 (“Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank”), dated July 2006 (hereinafter referred to as “the Consultant Policies”), which the Borrower, through the Executing Agency, declares to know, and pursuant to the Procurement Plan referred to in subsection(c)(i) of this Section 4.04. In addition, the following provisions shall apply:

- (a) For the purposes of this Contract, it is hereby specified that the threshold amount requiring international publicity for the selection of consulting services shall be the equivalent of two hundred thousand dollars (US\$200,000);
- (b) For the purposes of paragraph 2.7 of the Consultant Policies, the short list of consultants whose contracts are estimated to cost less than two hundred thousand dollars (US\$200,000) equivalent per contract may be composed in its entirety by national consultants, provided the requirements under above cited paragraph 2.7 are met. If foreign firms express interest, they shall be considered. Short lists may also be composed in their entirety by national consultants when competition including foreign consultants is *prima facie* not justified or foreign consultants have not expressed interest.

(c) Review by the Bank of Procurement Decisions:

- (i) Procurement Planning: Prior to the issuance of any Request for Proposals, the Borrower, through the Executing Agency, shall present the proposed procurement plan for the Program to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 of the Consultant Policies. This plan shall be updated every twelve (12) months during Program execution or as required, and submitted to the Bank for its review and approval. Procurement of consulting services shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1 of Appendix 1 of the Consultant Policies.
- (ii) Prior Review: Unless the Bank agrees otherwise in writing, all contracts shall be subject to prior (*ex-ante*) review, in accordance with the procedures spelled out in Appendix 1 of the Consultant Policies.
- (iii) Ex-Post Review: With respect to each contract not governed by subsection (b)(ii) of this Section, the procedures set forth in paragraph 4 of Appendix 1 of the Consultant Policies shall apply.

(d) The consultants shall perform their work in accordance with the terms of reference previously agreed upon, for each of them by the Executing Agency and the Bank, on the understanding that the said terms of reference may be adjusted or expanded during the execution of the Program by mutual agreement between the Executing Agency and the Bank.

(e) International consultants shall perform their work in an integrated manner with the local professional staff assigned or contracted by the Executing Agency to participate in the execution of the Program, with a view to carrying out technical and operational training of such staff by the conclusion of the work.

SECTION 4.05 **“Ex post” evaluation report.** The Borrower, through the Executing Agency, shall collect and maintain available information, indicators and parameters needed to carry out an “*ex post*” evaluation, if required, of the Program results, based on a methodology, and terms to be agreed with the Bank.

SECTION 4.06. **Program Operations Manual.** The parties agree that the execution of the Program will be governed by the terms of this Contract and the provisions of the Program Operations Manual referred to in Section 3.02 (iii)(a) of these Special Conditions, provided that such Manual may not be modified during the execution of the Program without the prior written consent of the Bank. In case of inconsistencies or contradictions between the provisions of this Contract and those of the Manual, provisions of this Contract shall prevail.

CHAPTER V

Records, Inspections, and Reports

SECTION 5.01 Records, Inspections, and Reports. The Borrower, through the Executing Agency, agrees to maintain records, permit inspections, and submit reports and financial statements in accordance with the provisions established in Chapter VII of the General Conditions.

SECTION 5.02 Audits. (a) With respect to the provisions of Article 7.03 of the General Conditions, the financial statements of the Program shall be submitted on an annual basis, throughout its execution, duly certified by a firm of independent public accountants acceptable to the Bank.

(b) The aforementioned auditing shall be carried out in accordance with (i) the terms of reference previously agreed upon between the Bank and the Borrower, through the Executing Agency, and (ii) the requirements set forth in the Bank's policies and procedures on auditing. The selection and hiring of the auditing firm mentioned in paragraph (a) hereinabove shall be carried out in accordance with the procedures set forth in Document AF-200. The cost of the auditing shall be charged to the resources of the Financing.

CHAPTER VI

Miscellaneous Provisions

SECTION 6.01 Entry into Effect. The parties agree that this Contract shall enter into effect on the date of its signature.

SECTION 6.02 Termination. Payment in full of the Loan and of all interest and fees shall terminate this Contract and all obligations arising thereunder.

SECTION 6.03 Validity. The rights and obligations established in this Contract are valid and enforceable in accordance with its terms, regardless of the laws of any given country.

SECTION 6.04 Communications. Any notice, request, or communication from one party to another by virtue of this contract 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, unless the parties agree otherwise in writing:

For the Borrower:

Mailing address:

Ministry of Finance, Investment, Telecommunications and Energy
Government Headquarters
Bay Street
St. Michael, Barbados

Facsimile: (246) 228-1641

For matters relating to Program execution:

Mailing Address:

Economic Affairs Division
Ministry of Economic Affairs and Empowerment, Innovation, Trade, Industry and
Commerce
Third Floor East
Warrens Office Complex
St. Michael, Barbados

Facsimile: (246) 425-1100

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

CHAPTER VII

Arbitration

SECTION 7.01 Commitment to Arbitrate. For the solution of any controversy which may arise out of 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 IX of the General Conditions.

IN WITNESS WHEREOF, the Borrower and the Bank, each acting through its authorized representative, have signed this Contract, in two (2) equally authentic copies in Cancún, Quintana Roo, United Mexican States, on the date above written.

GOVERNMENT OF BARBADOS

INTER-AMERICAN DEVELOPMENT
BANK

/s/ David J. H. Thompson

/s/ Luis Alberto Moreno

Hon. David J. H. Thompson, M.P.
Prime Minister and Minister of Finance
and Investment, Labour, Civil Service and Energy

Luis Alberto Moreno
President

PART TWO

GENERAL CONDITIONS

CHAPTER I

Application of the General Conditions

ARTICLE 1.01. Application of the General Conditions. These General Conditions apply to the Loan Contracts entered into by the Inter-American Development Bank with its Borrowers, and accordingly the provisions hereof form an integral part of this Contract.

CHAPTER II

Definitions

ARTICLE 2.01. Definitions. For the purposes of the obligations contracted between the parties, the following definitions are adopted:

- (a) “Bank” means the Inter-American Development Bank.
- (b) “Board” means the Board of Executive Directors of the Bank.
- (c) “Borrower” means the party to which the Financing is made available.
- (d) “Contract” means the entirety of the Special Conditions, the General Conditions and the Annexes.
- (e) “Contracting Agency” means the entity with the legal capacity to sign the Contract for the Procurement of Works and Goods and the Selection and Contracting of Consultants with the Contractor, Supplier, and Consulting Firm or Individual Consultant, as the case may be.
- (f) “Convertible currency” or “currency of a country other than that of the Borrower” means any currency which is legal tender in a country other than that of the Borrower, the Special Drawing Rights of the International Monetary Fund, and any other unit which represents the debt service obligation of a borrowing by the Bank.
- (g) “Cost of Single Currency Qualified Borrowings with a LIBOR Interest Rate” means the cost to the Bank of the Single Currency Qualified Borrowings with a LIBOR Interest Rate in the Single Currency of the Financing, expressed as a percentage per annum, as determined by the Bank.
- (h) “Executing Agency/Agencies” means the entity/entities responsible for executing all or part of the Project.

- (i) “Fixed Base Rate” means the market swap rate on the effective date of the conversion.
- (j) “Fixed Interest Rate” means the sum of: (i) the Fixed Base Rate as defined in Article 2.01(j) of these General Conditions, plus (ii) the prevailing ordinary capital lending spread expressed in basis points (bps) which shall be determined by the Bank periodically.
- (k) “Financing” means the funds which the Bank has agreed to make available to the Borrower to assist in carrying out the Project.
- (l) “Fraud and corruption” means the act(s) defined in Article 5.02(c) of these General Conditions.
- (m) “General Conditions” means the entirety of articles which comprise Part Two of this Contract and reflect the basic policies of the Bank uniformly applicable to its Loan Contracts.
- (n) “Guarantor” means the party which guarantees the fulfillment of the obligations contracted by the Borrower and which assumes other obligations for which it is liable in accordance with the Guarantee Contract.
- (o) “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.
- (p) “LIBOR Interest Rate” means any of the following definitions, in accordance with the currency of the Loan:¹
 - (i) In the case of Single Currency Facility Loans in Dollars:
 - (A) The LIBOR Interest Rate on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be “USD-LIBOR-BBA,” which is the rate for deposits in Dollars for a period of three (3) months that appears on the Reuters page <LIBOR01> as of 11:00 a.m., London time, on the day that is two (2) London Banking Days preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter. If such rate does not appear on the Reuters page <LIBOR01>, the rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each

¹ Any capitalized terms used in paragraph (p) of Article 2.01 and not otherwise defined herein shall have the meaning assigned to them in the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc., as amended and supplemented from time to time, which are hereby incorporated by reference.

Quarter will be determined as if the parties had specified “USD-LIBOR-Reference Banks” as the applicable LIBOR Interest Rate.

- (B) “USD-LIBOR-Reference Banks” means that the 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 the 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 in 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 its rate. If at least two (2) quotations are provided, the 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 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 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, on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter for loans in Dollars to 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 an interest rate to the Bank as a result of the procedure described above, the Bank will determine, in its own discretion, the applicable LIBOR Interest Rate for each Quarter for the Interest Rate Determination Date, 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 rates quoted on the first day immediately thereafter which is a Banking Day in New York City shall be utilized.

- (ii) In the case of Single Currency Facility Loans in Euros:

- (A) The LIBOR Interest Rate on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be “EUR-EURIBOR-Telerate,” which is the rate for deposits in euros for a period of three (3) months that appears on the Reuters page <LIBOR01> as of 11:00 a.m., Brussels time, on the day that is two

(2) TARGET Settlement Days preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter. If such rate does not appear on the Reuters page <LIBOR01>, the 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 “EUR-EURIBOR-Reference Banks” as the applicable LIBOR Interest Rate.

- (B) “EUR-EURIBOR-Reference Banks” means that the 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 euros are offered by the Reference Banks at approximately 11:00 a.m., Brussels time, on the day that is two (2) TARGET Settlement Days preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter to prime banks in the Euro-zone 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 assuming an Actual/360 day count basis. The Calculation Agent or Agents utilized by the Bank, will request the principal Euro-zone office of each of the Reference Banks to provide a quotation of its rate. If at least two (2) quotations are provided, the 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 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 major banks in the Euro-zone, selected by the Calculation Agent or Agents utilized by the Bank, at approximately 11:00 a.m., Brussels time, on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter for loans in euros to 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 an interest rate to the Bank as a result of the procedure described above, the Bank will determine, in its own discretion, the applicable LIBOR Interest Rate for each Quarter for the Interest Rate Determination Date, 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 Brussels and in the Euro-zone, the rates quoted on the first day immediately thereafter which is a Banking Day in Brussels and in the Euro-zone shall be utilized.

(iii) In the case of Single Currency Facility Loans in Yen:

- (A) The LIBOR Interest Rate on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be “JPY-LIBOR-BBA,” which is the rate for deposits in Yen for a period of three (3) months that appears on the Reuters page <LIBOR01> as of 11:00 a.m., London time, on the day that is two (2) London Banking Days preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter. If such rate does not appear on the Reuters page <LIBOR01>, the 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 “JPY-LIBOR-Reference Banks” as the applicable LIBOR Interest Rate.
- (B) “JPY-LIBOR-Reference Banks” means that the 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 Yen are offered by the Reference Banks at approximately 11:00 a.m., London time, on the 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 in 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 its rate. If at least two (2) quotations are provided, the 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 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 major banks in Tokyo, selected by the Calculation Agent or Agents utilized by the Bank, at approximately 11:00 a.m., Tokyo time, on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter for loans in Yen to 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 an interest rate to the Bank as a result of the procedure described above, the Bank will determine, in its own discretion, the applicable LIBOR Interest Rate for each Quarter for the Interest Rate Determination Date, 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 Tokyo, the rates quoted on the first day immediately thereafter which is a Banking Day in Tokyo shall be utilized.

(iv) In the case of Single Currency Facility Loans in Swiss Francs:

- (A) The LIBOR Interest Rate on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be “CHF-LIBOR-BBA,” which is the rate for deposits in Swiss Francs for a period of three (3) months that appears on the Reuters page <LIBOR02> as of 11:00 a.m., London time, on the day that is two (2) London Banking Days preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter. If such rate does not appear on the Reuters page <LIBOR02>, the 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 “CHF-LIBOR-Reference Banks” as the applicable LIBOR Interest Rate.
- (B) “CHF-LIBOR-Reference Banks” means that the 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 Swiss Francs are offered by the Reference Banks at approximately 11:00 a.m., London time, on the 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 in 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 its rate. If at least two (2) quotations are provided, the 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 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 major banks in Zurich, selected by the Calculation Agent or Agents utilized by the Bank, at approximately 11:00 a.m., Zurich time, on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter for loans in Swiss Francs to 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 an interest rate to the Bank as a result of

the procedure described above, the Bank will determine, in its own discretion, the applicable LIBOR Interest Rate for each Quarter for the Interest Rate Determination Date, 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 Zurich, the rates quoted on the first day immediately thereafter which is a Banking Day in Zurich shall be utilized.

- (q) “Loan” means the funds disbursed from the Financing.
- (r) “Project” means the Program or Project for which the Financing has been extended.
- (s) “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.
- (t) “Revolving Fund” means a fund that the Bank may establish as provided in Article 4.07 of these General Conditions, for the purpose of advancing resources to defray Project expenses chargeable to the Financing.
- (u) “Semester” means the first or second six months of a calendar year.
- (v) “Single Currency” means any convertible currency which the Bank has selected for lending under the Single Currency Facility.
- (w) “Single Currency Facility” means the facility the Bank has established to lend in certain convertible currencies which the Bank selects from time to time.
- (x) “Single Currency Facility Loan with a LIBOR-Based Interest Rate” means any Loan or portion of a Loan made by the Bank to be disbursed, accounted for, and repaid in a Single Currency under the Single Currency Facility and which, in accordance with the Special Conditions of this Loan Contract, will bear a LIBOR-Based Interest Rate as determined pursuant to Article 3.04(a) of these General Conditions.
- (y) “Single Currency Qualified Borrowings” for Loans denominated in any Single Currency means either: (i) from the date that the first Loan in such Single Currency is approved by the Bank's Board, resources of such Single Currency's transitional stabilization mechanism and borrowings of the Bank in such Single Currency that are assigned to fund loans in such Single Currency under the Single Currency Facility; or (ii) beginning on the first day of the seventh Semester following the above-mentioned date, borrowings of the Bank that are assigned to fund loans in such Single Currency under the Single Currency Facility.

- (z) “Special Conditions” means the entirety of the provisions which comprise Part One of this Contract and contain the particular terms of the operation.

CHAPTER III

Amortization, Interest and Credit Fee

ARTICLE 3.01. Dates of Payment of Amortization and Interest. The Borrower shall amortize the Loan in semiannual installments on the same dates as those determined in accordance with Section 2.02 of the Special Conditions for payment of interest. If the date of signature of the Loan Contract falls between June 15th and 30th or between December 15th and 31st, the dates for the payment of interest and for the payment of the first and subsequent amortization installments shall be June 15th and December 15th, as the case may be.

ARTICLE 3.02. Credit Fee. (a) The Borrower shall pay on the undisbursed balance of the Financing which is not in the currency of the Borrower's country a credit fee, which shall begin to accrue sixty (60) days after the date of the Contract. The amount of said fee shall be as indicated in the Special Conditions and under no circumstance may exceed 0.75% per annum.

(b) For Single Currency Facility Loans in dollars of the United States of America, this fee shall be paid in dollars of the United States of America. For Single Currency Facility Loans in currencies other than U.S. dollar Single Currency Facility Loans, this fee shall be paid in the currency of the particular Loan. This fee shall be paid on the same dates as those specified for the payment of interest pursuant to the provisions of the Special Conditions.

(c) This fee shall cease to accrue in full or in part, as the case may be, to the extent that: (i) the respective disbursements have been made; or (ii) the Financing has been cancelled totally or partially pursuant to Articles 3.15, 3.16 and 4.02 of these General Conditions and the relevant provisions of the Special Conditions.

ARTICLE 3.03. Computation of Interest and Credit Fee. The interest and credit fee shall be calculated according to the exact number of days in the respective Semester.

ARTICLE 3.04. Interest. (a) Interest shall be charged on the daily outstanding balances of the Loan 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, calculated as follows: (i) the respective LIBOR Interest Rate as defined in Article 2.01(p) of these General Conditions; (ii) plus or minus a cost margin computed quarterly as the weighted average of all the cost margins to the Bank related to the borrowings assigned to the pool of Bank borrowings which funds the Single Currency Facility Loans with a LIBOR-Based Interest Rate; (iii) plus the ordinary capital lending spread prevailing on the Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter, expressed as a percentage per annum.

(b) The Borrower and Guarantor of any Single Currency Facility Loan with a LIBOR-Based Interest Rate expressly acknowledge and agree that: (i) the LIBOR Interest Rate referred to in Article

3.04(a)(i) above, and the cost margin of the Bank borrowings referred to in Article 3.04(a)(ii) above, may be subject to significant fluctuations during the life of the Loan and, therefore, the LIBOR-Based Interest Rate for Single Currency Facility loans may involve significant financial risks to the Borrower and the Guarantor; and (ii) any risk of fluctuations in the LIBOR-Based Interest Rate alternative for Single Currency Facility loans is assumed entirely by the Borrower and the Guarantor, if applicable.

(c) Whenever, in light of changes in market practice affecting the determination of the LIBOR-Based Interest Rate alternative for Single Currency Facility loans, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rate applicable to the Loan other than as provided in Article 3.04(a)(i) above, the Bank may modify the basis for determining the interest rate applicable to the Loan upon not less than three (3) months' notice to the Borrower and the Guarantor of the new basis. The new basis shall become effective on the expiration of the notice period unless the Borrower or the Guarantor notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

(d) The Borrower, with the written consent of the Guarantor, if any, may request that all or part of the outstanding balance of the Loan with a LIBOR-Based Interest Rate be converted to a Fixed Interest Rate as defined in Article 2.01(i) of these General Conditions, which will be determined by the Bank and communicated by written notice to the Borrower. For purposes of the application of the Fixed Interest Rate to the outstanding balance, each conversion shall only be executed subject to a minimum amount of 25% of the net approved amount of the Financing (amount of the Financing minus cancellations) or three million dollars (US\$3,000,000), whichever is greater. The templates of the letters to proceed with the conversion, as determined hereby, will be submitted to the Borrower, as soon as the Borrower manifests the willingness to proceed with such conversion.

(e) The Borrower, with the written consent of the Guarantor, if any, may request that all or part of the outstanding balance of the Loan with a Fixed Interest Rate be reconverted to a Fixed Interest Rate be reconverted to a LIBOR-Based Interest Rate as determined pursuant to Article 3.04(a) of these General Conditions, through written notice to the Bank. Each reconversion of the Loan to a LIBOR-Based Interest Rate shall only be made on the remaining balance of the respective conversion or for an amount of at least three million dollars (US\$3,000,000), whichever is greater. Any gain or loss resulting from the cancellation or change of the Bank's funding associated with the reconversion, will be either credited or charged by the Bank to the Borrower, as the case may be, within thirty (30) days from the date of reconversion. In the event of any gain, it will be credited in the first place to any amounts due and payable by the Borrower to the Bank.

ARTICLE 3.05. Disbursements and Payments of Amortization and Interest in National Currencies. (a) Amounts which are disbursed in the currency of the Borrower's country shall be applied against the Financing and owed in accordance with the equivalency in dollars of the United States of America as determined in accordance with the rate of exchange in effect on the date of the respective disbursement.

(b) Payments of amortization and interest shall be made in the currency disbursed, in an equivalent amount of dollars of the United States of America, as determined in accordance with the rate of exchange in effect on the payment date.

(c) For the purpose of determining the equivalencies stipulated in paragraphs (a) and (b) above, the relevant rate of exchange, in accordance with Article 3.06, shall be used.

ARTICLE 3.06. Rate of Exchange. (a) The rate of exchange to be used to determine the equivalency of the currency of the Borrower's country, in relation to dollars of the United States of America, shall be as follows:

- (i) The rate of exchange pursuant to the understanding in force between the Bank and the respective member country for the purposes of maintaining the value of the currency in conformity with the provisions of Article V, Section 3 of the Agreement Establishing the Bank.
- (ii) Should there be no agreement in force between the Bank and the respective member country with regard to the rate of exchange to be applied for the purpose of maintaining the value of its currency held by the Bank, the latter shall have the right to require that the rate of exchange to be applied for the purposes of payment of amortization and interest shall be that which on the due date is utilized by the Central Bank of the member country or by the corresponding monetary authority to sell dollars of the United States of America to residents of such country, other than government agencies, for the following transactions: (a) payment of principal and interest due; (b) remittance of dividends or other income from capital investments in the respective country; and (c) remittance of investment capital. In the event that there is no uniform rate of exchange for these three types of operations, the highest rate shall be applied, i.e., the rate representing the highest number of units of the currency of such country per dollar of the United States of America.
- (iii) If, on the date on which the payment is due, the foregoing rule cannot be applied because the operations referred to do not exist, payment shall be made on the basis of the most recent rate of exchange used for such operations within the thirty (30) days preceding the respective due date.
- (iv) If, notwithstanding the application of the foregoing rules, the effective rate of exchange for the purpose of determining payment cannot be ascertained, or if discrepancies arise in the determination thereof, the determination of the Bank shall prevail, taking into consideration the realities of the foreign exchange market of the member country concerned.
- (v) If, due to non-compliance with the foregoing rules, the Bank considers that any payment made in the respective currency has been insufficient, it shall so

notify the Borrower immediately in order that the latter shall pay the difference within a period not greater than thirty (30) business days from receipt of the notification. If, on the other hand, the sum received by the Bank is higher than that due, it shall return the excess amount within the same time period.

(b) For the purpose of determining the equivalency in dollars of the United States of America of an expenditure incurred in the currency of the Borrower's country, the rate of exchange which is applicable on the date of payment of such expenditure shall be utilized, pursuant to paragraph (a) above. To that end, the date of payment of such expenditure shall mean the date on which the Borrower, the Executing Agency or any natural or juridical person in whom the power to incur expenditures has been vested makes the respective payments to the order of the contractor or supplier.

ARTICLE 3.07. Disbursements and Payments of Amortization and Interest in Single Currencies. For Single Currency Facility Loans, disbursements and payments of amortization and interest shall be in the Single Currency of the particular Loan.

ARTICLE 3.08. Valuation of Convertible Currencies. Whenever it shall be necessary pursuant to this Contract to determine the value of a currency of a country other than that of the Borrower in terms of another currency, such value shall be as reasonably determined by the Bank.

ARTICLE 3.09. Participations. (a) The Bank may cede to other public or private institutions, in the form of participations, the rights corresponding to the Borrower's pecuniary obligations under this Contract. The Bank shall promptly notify the Borrower of each assignment.

(b) Participations may be granted in respect of either of the following: (i) amounts of the Loan disbursed prior to execution of the participation agreement; or (ii) amounts of the Financing which are still undisbursed at the time of the participation agreement's execution.

(c) With the prior consent of the Borrower, the Bank may cede all or part of the undisbursed amount of the Financing to other public or private institutions. To that end, the portion subject to participation shall be denominated in terms of a fixed number of units of one or more convertible currencies. Likewise, with the Borrower's prior consent, the Bank may set, for the portion subject to participation, an interest rate other than that established in the present Contract. Interest payments and amortization installments shall be made in the specified currency in which the participation was granted and on the dates specified in Article 3.01 of these General Conditions. After the final disbursement has been made, the Bank shall give the Borrower and the Participant a schedule of amortization.

ARTICLE 3.10. Application of Payments. All payments shall be applied first to returns of unjustified advances of funds, then to fees and interest due on the payment date, and if a balance exists, to the amortization of installments of principal due.

ARTICLE 3.11. Advance Payments. Upon an irrevocable advance notice in writing to the Bank, accompanied by the expressed written consent of the Guarantor, if any, of at least thirty (30) days, the Borrower may prepay, on one of the amortization payment dates, all or part of the outstanding balance of the Loan, provided that on the payment date no sum is due and outstanding in respect of fees or interest. In the event that the prepayment does not cover the entire outstanding balance of the Loan, the prepayment will be applied proportionately to the remaining amortization installments. The Borrower may not prepay the outstanding balance of a Loan with Fixed Interest Rate in an amount lower than three million dollars (US\$3,000,000), unless the remaining outstanding balance of the Loan is lower than that amount. Notwithstanding the foregoing, in cases of any gain or loss resulting from the cancellation or change of the Bank's funding associated with the corresponding prepayment will be either credited or charged by the Bank to the Borrower, as the case may be. In the event of any gain, it will be credited in the first place to any amounts due and payable by the Borrower to the Bank.

ARTICLE 3.12. Receipts. At the request of the Bank, the Borrower shall sign and deliver to the Bank, upon the completion of disbursements, a receipt or receipts for the amounts disbursed.

ARTICLE 3.13. Transactions Falling Due on Public Holidays. Any payment or other transaction which, pursuant to this Contract, should be effected on Saturday, Sunday or a day which is a banking holiday according to the law of the place where it is required to be made, shall be considered validly effected if carried out on the first business day immediately thereafter, and in such case no penalty whatsoever shall apply.

ARTICLE 3.14. 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 Borrower.

ARTICLE 3.15. Renunciation of Part of the Financing. The Borrower, with the concurrence of the Guarantor, if any, may renounce, by written notice to the Bank, its right to utilize any part of the Financing which has not been disbursed before the receipt of the notice, provided that the amounts foreseen in Article 5.03 of these General Conditions are not involved.

ARTICLE 3.16. Automatic Cancellation of Part of the Financing. Unless the Bank and the Borrower and the Guarantor, if any, expressly agree in writing to extend the term for making disbursements, that portion of the Financing not committed or disbursed, as the case may be, within the corresponding term, shall automatically be canceled.

CHAPTER IV

Conditions Relating to Disbursements

ARTICLE 4.01. Conditions Precedent to First Disbursement. The first disbursement of the Financing shall be subject to fulfillment of the following requirements to the satisfaction of the Bank:

- (a) The Bank shall have received one or more well-founded legal opinions which establish, with citations of the pertinent constitutional, legal, and regulatory provisions, that the obligations undertaken by the Borrower in this Contract, and those of the Guarantor, if any, in the Guarantee Contract, are valid and enforceable. Such opinions shall also refer to any other legal question that the Bank may reasonably deem relevant.
- (b) The Borrower, directly or through the Executing Agency, if any, shall have designated one or more officials to represent it in all acts relating to the implementation of this Contract and shall have furnished the Bank with authentic copies of the signatures of said representatives. Should two or more officials be designated, the designation shall indicate whether such officials may act separately or must act jointly.
- (c) The Borrower, either directly or through the Executing Agency, if any, shall have demonstrated to the Bank that sufficient resources have been allocated to cover, at least during the first calendar year, the execution of the Project in accordance with the investment schedule referred to in the following paragraph. If this Financing constitutes a continuation of the same lending operation, the earlier stage or stages of which the Bank is Financing, the obligation set forth in this paragraph shall not be applicable.
- (d) The Borrower, either directly or through the Executing Agency, if any, shall have presented to the Bank an initial report prepared in the form indicated by the Bank, which shall serve as the basis for the preparation and evaluation of the progress reports referred to in Article 7.03(a)(i) of these General Conditions. In addition to such other information as the Bank may reasonably request pursuant to the provisions of this Contract, the initial report shall set forth: (i) a plan for implementation of the Project including, except with respect to a program for the granting of credits, the plans and specifications deemed necessary by the Bank; (ii) a calendar or schedule of work or granting of credits, as the case may be; and (iii) a table of the source and use of funds setting forth a detailed schedule of investments in accordance with the categories of investment established in this Contract and an indication of the annual contributions needed from the various sources of funds from which the Project will be financed. If this Contract permits the recognition of expenditures made prior to its signature or to the date of the Resolution authorizing the Financing, the initial report shall include a statement of the investments and, in accordance with the objectives of the Financing, a description of works carried out under the Project or a statement as to credits granted, as the case may be, up to a date immediately preceding the report.
- (e) The Borrower or Executing Agency shall have presented to the Bank the plan, catalog or code of accounts referred to in Article 7.01 of these General Conditions.
- (f) The official auditing agency referred to in the Special Conditions shall have agreed to perform the auditing function foreseen in Article 7.03(b) of these General Conditions and in the Special Conditions, or the Borrower or the Executing Agency shall have

agreed with the Bank with respect to a firm of independent public accountants to perform the above functions.

ARTICLE 4.02. Period for Fulfilling the Conditions Precedent to First Disbursement. If within one hundred eighty (180) days from the effective date of this Contract, or within such longer period as the parties may agree in writing, the conditions precedent to the first disbursement established in Article 4.01 of these General Conditions and in the Special Conditions have not been fulfilled, the Bank may terminate this Contract by giving notice to the Borrower.

ARTICLE 4.03. Requisites for All Disbursements. For the Bank to make any disbursement, it shall be necessary that: (a) the Borrower, or the Executing Agency, if any, shall have submitted in writing a disbursement request and, in support thereof, shall have supplied to the Bank such pertinent documents and other background materials as the Bank may have required; provided, however, that for Loans in which the Borrower has opted to receive financing in a combination of Single Currencies, or in one or more Single Currencies, the request must indicate the specific amounts of the particular Single Currency(ies) requested for disbursement; (b) requests must be presented no later than thirty (30) calendar days in advance of the date of expiry of the term for disbursement or of any extension thereof which the Borrower and the Bank may have agreed to; (c) none of the circumstances described in Article 5.01 of these General Conditions shall have occurred; and (d) the Guarantor, if any, shall not be in non-compliance for more than one hundred twenty (120) days with any obligation to make payments to the Bank on any Loan or Guarantee.

ARTICLE 4.04. Disbursements for Technical Cooperation. If the Special Conditions contemplate the Financing of expenses for technical cooperation, the disbursements therefore may be made once the conditions established in Article 4.01(a) and (b) and in Article 4.03 of these General Conditions have been fulfilled.

ARTICLE 4.05. Charges for the Inspection and Supervision Fee. If the Bank determines that an amount shall be charged to cover its expenses for general inspection and supervision in accordance with the Special Conditions, the Bank will notify the Borrower and the latter will indicate whether it will pay the corresponding amount directly to the Bank or whether such amount should be withdrawn and retained by the Bank from the resources of the Financing. Both the payment by the Borrower and the retention by the Bank of any fee allocated to general inspection and supervision will be carried out in the currency of the Loan.

ARTICLE 4.06. Disbursement Procedures. The Bank may make disbursements against the Financing: (a) by transferring to the order of the Borrower the sums to which it is entitled under this Contract; (b) by making payments on behalf of and in agreement with the Borrower to other banking institutions; (c) by establishing or replenishing the Revolving Fund referred to in Article 4.07 below; and (d) by utilizing such other method as the parties may agree upon in writing. Any banking expenses that may be charged by a third party in connection with disbursements shall be borne by the Borrower. Unless the parties agree otherwise, disbursements shall be made only in amounts of not less than the equivalent of one hundred thousand dollars of the United States of America (US\$100,000) each.

ARTICLE 4.07. Revolving Fund. (a) Upon fulfillment of the requirements set forth in Articles 4.01 and 4.03 of these General Conditions and the pertinent requirements established in the Special Conditions, the Bank may advance resources of the Financing for the purpose of establishing, increasing or replenishing a Revolving Fund to defray costs pertaining to the execution of the Project which, pursuant to provisions of this Contract, are eligible for financing with such resources.

(b) Except by express agreement between the parties, the amount of the Revolving Fund shall not exceed five percent of the amount of the Financing. Upon justified request, the Bank may increase or replenish the Revolving Fund as the resources are used, provided that the requirements of Article 4.03 of these General Conditions and those which may be established in the Special Conditions have been fulfilled. The Bank may also reduce or cancel the Revolving Fund should it determine that the resources provided through the Revolving Fund exceed the needs of the Project. The establishment and the replenishment of the Revolving Fund shall be regarded as disbursements for the purposes of this Contract.

(c) The plan, catalog or code of accounts that the Borrower or Executing Agency must present to the Bank in accordance with Article 4.01(e) of these General Conditions shall indicate the accounting method used by the Borrower to verify the transactions and statements of account of the Revolving Fund.

(d) Not later than thirty (30) days prior to the date agreed upon for the final disbursement of the Financing, the Borrower shall present a final justification of the use of the Revolving Fund and return any unused portion thereof.

(e) For Loans in which the Borrower has opted to receive financing in a combination of Single Currencies, or in one or more Single Currencies, the Borrower may, subject to availability in the undisbursed balance of the Loan, choose to receive disbursements for the Revolving Fund in any of the Single Currencies of the Loan, or in any combination thereof.

ARTICLE 4.08. Availability of Local Currency. The Bank shall be obliged to make disbursements to the Borrower in local currency only to the extent that the respective depository of the Bank has placed such currency at its effective disposition.

CHAPTER V

Suspension of Disbursements and Accelerated Maturity

ARTICLE 5.01. Suspension of Disbursements. The Bank, by written notice to the Borrower, may suspend disbursements if any of the following circumstances occurs and so long as it continues:

- (a) Delay in the payment of any sums owed by the Borrower to the Bank for principal, fees, interest, return of advances of funds or for any other reason, under this Contract or any other Loan Contract entered into between the Bank and the Borrower.

- (b) Nonfulfillment by the Borrower of any other obligation set forth in the Contract or in any other Contract entered into with the Bank for the Financing of the Project.
- (c) Withdrawal or suspension from membership in the Bank of the country in which the Project is to be executed.
- (d) The Project or the purposes of the Financing may be affected by: (i) any restriction, modification or alteration of the legal capacity, functions or assets of the Borrower or the Executing Agency; or (ii) any modification or change made without the written concurrence of the Bank of the basic conditions fulfilled before the approval of the Resolution authorizing the Financing or the signature of the Contract. In such cases, the Bank will have the right to require the Borrower and the Executing Agency to provide reasoned and detailed information. Only after hearing the Borrower or the Executing Agency and weighing the information or clarification received, or if the Borrower and the Executing Agency fail to respond, may the Bank suspend disbursements if it considers that the modifications made affect the Project substantially and unfavorably or make its execution impossible.
- (e) The non-compliance on the part of the Guarantor, if any, of any obligation set forth in the Guarantee Contract.
- (f) When the Borrower is not a member country, any extraordinary circumstance which, in the opinion of the Bank, makes it unlikely that the Borrower will be able to comply with the obligations established in this Contract or to fulfill the purposes for which it was entered into.
- (g) If it is determined at any stage that evidence is sufficient to support a finding that an employee, agent, or representative of the Borrower, Executing Agency or Contracting Agency, has engaged in an act of fraud and corruption during the bidding process, negotiation of a contract, or the execution of the contract.

ARTICLE 5.02. Termination, Accelerated Maturity, or Partial Cancellation of Undisbursed Balances and other Measures. (a) The Bank may terminate this Contract with respect to the part of the Financing not yet disbursed or may declare the entire loan or a portion thereof immediately due and payable, together with interest and commissions accrued up to the date of payment if: (i) any of the circumstances set forth in paragraphs (a), (b), (c) and (e) of the preceding article continues for more than sixty (60) days; or (ii) the information referred to in paragraph (d) of the preceding Article, or the clarifications or additional information presented by the Borrower or the Executing Agency or the Contracting Agency, if any, are not satisfactory to the Bank.

(b) The Bank may cancel the part of the Financing pertaining to the procurement of certain goods, works or related services, or consulting services, or may declare the portion of the loan pertaining to such items immediately due and payable, if it determines at any time that: (i) the procurement was carried out without following the procedures set forth in this Contract; or (ii) representatives of the Borrower, Executing Agency or Contracting Agency have committed any

act of fraud or corruption, either in the process of selecting the contractor or supplier or consultant, or in the negotiation or execution of the respective contract, and the Borrower has not taken timely and remedial measures, observing the due process guarantees of the Borrowing country's legislation, and acceptable to the Bank.

(c) For the purposes of the above paragraph, acts of fraud and corruption shall be understood to include, but not be limited to, acts of: (i) a corrupt practice is the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence the actions of another party; (ii) a fraudulent practice is any act or omission, including a misrepresentation, which misleads, or attempts to mislead, a party in order to obtain a financial or other benefit or to avoid an obligation; (iii) a coercive practice is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or property of the party to influence the actions of a party; and (iv) 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.

(d) If, in accordance with the administrative procedures of the Bank, it is demonstrated that any firm, entity or individual bidding for or participating in a Bank-financed project including, *inter alia*, Borrower, bidders, suppliers, contractors, sub-contractors, concessionaires, applicants, consultants, Executing Agency or Contracting Agency (including their respective officers, employees and agents) has engaged in an act of fraud or corruption, the Bank may:

- (i) decide not to finance any proposal to award a contract or a contract awarded for works, goods, related services and consultant services financed by the Bank;
- (ii) suspend disbursement of the operation as described in Article 5.01 (g) above of these General Conditions, if it is determined at any stage that evidence is sufficient to support a finding that an employee, agent or representative of the Borrower, Executing Agency or Contracting Agency has engaged in an act of fraud or corruption;
- (iii) cancel, and/or accelerate repayment of, the portion of a loan or grant earmarked for a contract as described in Article 5.02 (b) above of these General Conditions, when there is evidence that the representative of the Borrower has not taken the adequate remedial measures within a time period which the Bank considers reasonable, and in accordance with the due process guarantees of the Borrowing country's legislation;
- (iv) issue a reprimand in the form of a formal letter of censure of the firm, entity or individual's behavior;
- (v) issue a declaration that an individual, entity or firm is ineligible, either permanently or for a stated period of time, to be awarded or participate in contracts under Bank-financed projects except under such conditions as the Bank deems to be appropriate;
- (vi) refer the matter to appropriate law enforcement authorities; and/or

- (vii) impose other sanctions that it deems to be appropriate under the circumstances, including the imposition of fines representing reimbursement of the Bank for costs associated with investigations and proceedings. Such other sanctions may be imposed in addition to or in lieu of other sanctions.

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

ARTICLE 5.03. Obligations not Affected. Notwithstanding the provisions of the foregoing Articles 5.01 and 5.02, none of the measures set forth in this Chapter shall affect the disbursement by the Bank of: (a) any amounts subject to the guarantee of an irrevocable letter of credit; and (b) any amounts which the Bank by specific written agreement with the Borrower or the Executing Agency, or the Contracting Agency, if any, has agreed to provide from the resources of the Financing to make payments to a contractor or supplier of goods and related services or consultant services. The exceptions set forth in subparagraph (b) shall not apply if the Bank determines that acts of fraud and corruption occurred with respect to the procurement of, or the negotiation or execution of the contract for, the works, goods and related services or consultant services.

ARTICLE 5.04. Non-waiver of Rights. Any delay by the Bank in the exercise of its rights pursuant to this Contract, or failure to exercise them, shall not be construed as a waiver by the Bank of any such rights nor as acquiescence in events or circumstances which, had they occurred, would have empowered it to exercise them.

ARTICLE 5.05. Provisions not Affected. The application of any of the measures provided for by this Chapter shall not affect the obligations of the Borrower established in this Contract, which shall remain in full force and effect, except that in case the entire Loan has been declared due and payable, only the pecuniary obligations of the Borrower shall continue in force.

CHAPTER VI

Execution of the Project

ARTICLE 6.01. General Provisions for Execution of the Project. (a) The Borrower undertakes that the Project shall be executed with due diligence in conformity with sound financial and technical practices, and in accordance with the plans, specifications, investment schedule, budgets, regulations, and other documents approved by the Bank. The Borrower further undertakes that its obligations shall be fulfilled to the satisfaction of the Bank.

(b) Any important modification in the plans, specifications, investment schedule, budgets, regulations or other documents which the Bank has approved, as well as any substantial change in the contract or contracts for goods or services which may be funded with the resources devoted to the execution of the Project, or in the categories of investment, shall require the written consent of the Bank.

ARTICLE 6.02. Prices and Public Tender. Contracts for execution of works, procurement of goods, and rendering of services for the Project shall be undertaken at a reasonable cost which shall generally be the lowest market price, taking into account quality, efficiency, and any other pertinent factors.

ARTICLE 6.03. Use of Goods. Except with the express authorization of the Bank, the goods acquired with the resources of the Financing shall be used exclusively for the purposes of the Project. Once the Project has been completed, the construction machinery and equipment utilized in the execution of the Project may be used for other purposes.

ARTICLE 6.04. Additional Resources. (a) The Borrower shall contribute in a timely manner all the resources in addition to those of the Loan which may be necessary for the complete and uninterrupted execution of the Project, the estimated amount of which is specified in the Special Conditions. If during the process of disbursement of the Financing an increase in the estimated cost of the Project arises, the Bank may require the modification of the investment schedule referred to in Article 4.01(d) of these General Conditions in order that the Borrower shall meet such increase.

(b) Beginning with the calendar year following the initiation of the Project and during the period of its execution, the Borrower shall demonstrate to the Bank in the first sixty (60) days of each calendar year that it will have available when needed the resources necessary to make the local contribution to the Project during that year.

CHAPTER VII

Records, Inspections and Reports

ARTICLE 7.01. Internal Control and Records. The Borrower or the Executing Agency, or the Contracting Agency, as the case may be, shall maintain an appropriate system of internal accounting and administrative controls. The accounting system shall be organized so as to provide the necessary documentation to permit the verification of transactions and facilitate the timely preparation of financial statements and reports. The records of the Project shall be maintained for a minimum of three (3) years after the date of final disbursement of the Loan, in such a way that: (a) make it possible to identify the sums received from the various sources; (b) show, in accordance with the catalogue of accounts approved by the Bank, the investments in the Project, both with the resources of the Loan and with the other funds to be provided for its complete execution; (c) include sufficient detail to show the works performed, goods acquired and the services contracted, as well as the utilization of such works, goods and services; and (d) such documents include documentation relating to the bidding process and the execution of the contracts financed by the Bank including, but not limited to, bid requests, bid packages, summaries, bid evaluations, contracts, correspondence, work product and drafts, and invoices, including documents relating to the payment of commissions, and payments to agents, consultants and contractors; and (e) show the cost of the investments in each category and the progress of the works. With respect to credit programs, the records shall also detail the credits granted, the recoveries obtained, and the utilization of the funds recovered.

ARTICLE 7.02. Inspections. (a) The Bank may establish such inspection procedures as it deems necessary to assure the satisfactory development of the Project.

(b) The Borrower, the Executing Agency and the Contracting Agency, if any, shall permit the Bank to inspect at any time the Project, the equipment and materials involved therein, and to examine such records and documents as the Bank may deem pertinent. The personnel which the Bank shall send or designate as investigators, agents, auditors or experts for this purpose shall receive the complete cooperation of the respective authorities. All the costs relating to transportation, salaries, and other expenses of such personnel shall be borne by the Bank.

(c) The Borrower, the Executing Agency or the Contracting Agency, as the case may be, shall, upon request of an authorized representative of the Bank, provide to the Bank any documents, including procurement-related documents, that the Bank might reasonably request. In addition, the Borrower, the Executing Agency and the Contracting Agency shall make their personnel available, upon reasonable notice, to respond to questions from Bank personnel, which arise during the review or audit of such documents. The Borrower, the Executing Agency or the Contracting Agency, as the case may be, shall produce the documents in a timely manner or shall submit an affidavit to the Bank setting forth the reasons why the requested material is unavailable or is being withheld.

(d) If the Borrower, the Executing Agency or Contracting Agency, as the case may be, refuses to comply with the Bank's request, or otherwise obstructs the Bank's review of the matter, the Bank in its sole discretion, may take appropriate action against the Borrower, Executing Agency or Contracting Agency, as the case may be.

ARTICLE 7.03. Reports and Financial Statements. (a) The Borrower or the Executing Agency, as appropriate, shall present to the Bank the following reports, within the periods specified with respect to each:

- (i) Reports on the execution of the Project, within sixty (60) days following the end of each calendar Semester, or within such other period as the parties may agree, prepared in accordance with the relevant rules agreed to with the Bank.
- (ii) Such other reports as the Bank may reasonably request regarding the investment of the sums lent, the use of goods acquired with such sums, and the progress of the Project.
- (iii) Three copies of the financial statements for the entire Project as of the close of each fiscal year of the Executing Agency, and supplementary financial information relating to such statements. Such financial statements shall be submitted within one hundred twenty (120) days following the close of each fiscal year of the Executing Agency, beginning with the fiscal year in which the Project was initiated and during the period stipulated in the Special Conditions.

- (iv) When the Special Conditions so require, three copies of the financial statements of the Borrower as of the close of each fiscal year, and supplementary financial information relating to such statements. The financial statements shall be submitted during the period stipulated in the Special Conditions, beginning with the fiscal year in which the Project was initiated and within one hundred twenty (120) days following the close of each fiscal year of the Borrower. This obligation shall not apply if the Borrower is the Government or the Central Bank.
- (v) When the Special Conditions so require, three copies of the financial statements of the Executing Agency as of the close of each fiscal year, and supplementary financial information relating to such statements. The statements shall be submitted during the period stipulated in the Special Conditions, beginning with the fiscal year in which the Project was initiated and within one hundred twenty (120) days following the close of each fiscal year of the Executing Agency.

(b) The statements and documents described in subparagraphs (a)(iii), (iv) and (v) shall be submitted with the opinion of the auditing entity specified in the Special Conditions of this Contract and in accordance with requirements satisfactory to the Bank. The Borrower or the Executing Agency, as the case may be, shall authorize the auditing entity to provide the Bank with any additional information it may reasonably request with respect to the financial statements and audit reports issued.

(c) In cases in which the audit is to be performed by an official auditing agency and such agency is unable to perform the audit in accordance with requirements satisfactory to the Bank or within the periods mentioned above, the Borrower or the Executing Agency shall contract the services of a firm of independent public accountants acceptable to the Bank. The services of a firm of independent public accountants may also be utilized if the contracting parties so agree.

CHAPTER VIII

Provision on Encumbrances and Exemptions

ARTICLE 8.01. Commitment on Encumbrances. If the Borrower should agree to create any specific encumbrance on all or part of its assets or revenues to secure an external debt, it shall at the same time create an encumbrance guaranteeing to the Bank, equally and proportionally, the fulfillment of the pecuniary obligations arising from this Contract. However, 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 Borrower is a member country, the term “assets or revenues” shall mean all types of assets or revenues which belong to the Borrower or any of its dependent agencies which are not autonomous entities with their own separate capital.

ARTICLE 8.02. Tax Exemption. The Borrower undertakes to ensure that both the principal and the interest and other charges of the Loan 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, negotiation, and execution of this Contract.

CHAPTER IX

Arbitration Procedure

ARTICLE 9.01. 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 Borrower, and a third, hereinafter called the “Referee”, by direct agreement between the parties or through their respective arbitrators. If the parties or the arbitrators fail to agree on who the Referee shall be, or if one of the parties should not designate an arbitrator, the Referee 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 Referee. If either of the appointed arbitrators or the Referee is unwilling or unable to act or to continue to act, his successor shall be appointed in the same manner as for the original appointment. The successor shall have the same functions and faculties as his predecessor.

(b) If the controversy affects not only the Borrower but also the Guarantor, if any, both 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 9.02. Initiation of the Procedure. In order to submit the controversy to arbitration, the claimant shall address to the other party a written communication setting forth the nature of the claim, the satisfaction or compensation which it seeks, and the name of the arbitrator it appoints. The party receiving such communication shall, within forty-five (45) days, notify the adverse party of the name of the person it appoints as arbitrator. If, within thirty (30) days after delivery of such notification to the claimant, the parties have not agreed as to the person who is to act as Referee, either party may request the Secretary General of the Organization of American States to make the appointment.

ARTICLE 9.03. 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 Referee, and, once convened, shall meet on the dates which the Tribunal itself shall establish.

ARTICLE 9.04. Procedure. (a) The Tribunal shall be competent to hear only the matters in controversy. It shall adopt its own procedures and may on its own initiative designate whatever experts it considers necessary. In any case, it shall give the parties the opportunity to make oral presentations.

(b) The Tribunal shall proceed ex aequo et bono, basing itself on the terms of this Contract, and shall issue an award even if either party should fail to appear or present its case.

(c) The award shall be in writing and shall be adopted with the concurrent vote of at least two members of the Tribunal. It shall be handed down within approximately sixty (60) days from the date on which the Referee 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 communication signed by at least two 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 9.05. Costs. The fees of each arbitrator shall be paid by the party which appointed him and the fees of the Referee shall be paid by both parties in equal proportion. Prior to the convening of the Tribunal, the parties shall agree on the remuneration of the other persons who, by mutual agreement, they deem should take part in the arbitration proceedings. If such agreement is not reached in a timely manner, the Tribunal itself shall determine the compensation which may be reasonable for such persons under the circumstances. Each party shall defray its own expenses in the arbitration proceedings, but the expenses of the Tribunal shall be borne equally by the parties. 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 9.06. 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.

THE ANNEX

THE PROGRAM

Barbados Competitiveness Program

I. Objective

- 1.01** The objective of the Program is to increase the competitiveness of Barbados by supporting initiatives to: (i) rationalize the incentive system and regulations to ensure a coherent framework to support business development; (ii) rationalize the institutional architecture of Business Development Services (BDS) and introduce a framework for clustering initiatives; (iii) improve logistics and trade facilitation, lowering the cost of the movement of goods and people, and enhance access to infrastructure through Public Private Partnerships (PPPs), among other modalities; and (iv) strengthen public-private dialogue to develop and implement a medium-term competitiveness strategy.

II. Description

- 2.01** In order to achieve the Program objective described in Section I above, the Program contemplates four components: (1) ensuring a coherent framework for business development: incentives and regulations; (2) ensuring a coherent BDS architecture for business development; (3) improving trade logistics and trade facilitation and enhancing access to infrastructure; and (4) strengthening public-private dialogue on competitiveness.

Component 1: Ensuring a coherent framework for business development: incentives and regulations

- 2.02** This component will have two sub-components:
- 2.03 Sub-component 1.1: Taxes and incentives.** This sub-component will support the development of the following two tax policy analysis tools:
- 2.04** (i) *Tax policy analysis.* The first analytical tool is a Computable General Equilibrium (CGE) model that will enable the Ministry of Finance, the Central Bank and other tax policy analysts to assess the direct and indirect impact of alternative tax regimes on economic activity and government revenues. As an intermediate step, the Barbados Statistical Service (BSS) and other agencies will receive support to update the country's Input-Output (I-O) matrix / Supply and Use Table (SUT) to be sufficiently robust to support the CGE model.
- 2.05** (ii) *Revenue implications of tax incentives.* The second analytical tool is a "tax expenditure budget" that will enable the authorities to quantify the revenues lost for each of the tax incentive schemes currently in place or contemplated.

- 2.06 Sub-component 1.2: Business climate reforms.** This sub-component will provide support in the areas of facilitating: (i) the approval process for domestic and international investments; and (ii) the expansion of access to credit through the rationalization of government-sponsored development funds.
- 2.07** (i) *Physical investment permits.* The Program will support staff training, documentation simplification and process re-engineering to achieve systemic improvements in the operations of the Town and Country Development Planning Office (TCDPO) and all collaborating agencies to assure a more expeditious and equitable processing of investment applications.
- 2.08** (ii) *Rationalization of development funds.* The Program will provide technical support for the assessment of the several government-sponsored development funds, preparation of recommendations to restructure the funds, and the implementation of an approved action plan.

Component 2: Ensuring a coherent Business Development Services (BDS) architecture for business development

- 2.09** This component will have two sub-components:
- 2.10 Sub-component 2.1: Improving BDS and innovation.** This sub-component of the Program will support improved productivity at the firm level. A two stage approach will be taken by firstly evaluating the existing arrangements and secondly, upon approval of the recommendations, implementing more agile and responsive institutional arrangements.
- 2.11** (i) *Evaluation.* This first activity of sub-component 2.1 will support a comprehensive review of the agencies currently supplying BDS, documenting their costs and estimating their benefits. The Government of Barbados (“GoBA”) will designate a high-level policy unit to review the report and propose any needed adjustments and supervise the implementation of its approved recommendations.
- 2.12** (ii) *New BDS architecture.* The second activity of sub-component 2.1 will finance the reform process to streamline Barbados’ BDS institutions. Based on the evaluation report recommendations, an existing agency will be designated as the principal BDS supplier and will therefore receive support for its strengthening. Resources from this sub-component will also be used to support the restructuring of other agencies in the system, including expanding, merging or reducing the scope of their operations. Special attention will be given to the innovation system, in particular to the pertinence and accessibility of current tools to facilitate innovation by small and medium-sized firms.
- 2.13 Sub-component 2.2: Pilot cluster program.** This sub-component will support a pilot program that will introduce the cluster development model to the Barbados’ private sector and will test the methodology so that it can later be replicated in other clusters and value chains. The Program will select one cluster to support during this stage, based on selection criteria agreed during Program preparation. The Program will finance the preparation of a Strategic Plan that will identify the cluster’s competitive gap vis-à-vis a chosen international benchmark, and propose the actions needed to strengthen the

cluster's competitive position for the short, medium and long term. The sub-component will provide partial (cost-sharing with the beneficiaries) financing for some of these actions, focusing on those that are strategic public inputs for the cluster and that cannot be funded by existing support programs and agencies.

Component 3: Improving trade logistics and trade facilitation and enhancing access to infrastructure

2.14 This component will have three sub-components:

2.15 Sub-component 3.1: Trade logistics and trade facilitation. This sub-component will support the modernization of trade logistics and trade facilitation services, with emphasis on the upgrade of the design of a Cargo Examination Facility (CEF) and risk assessment mechanisms, the establishment of an Electronic Single Window (ESW), as well as the overall update and improvement of customs procedures.

2.16 (i) *Cargo Examination Facility (CEF)*. The Program will provide the necessary resources to complete the conceptual design, mapping of container movement, layout of the CEF, organization and internal security. The Program will also provide a complete implementation cost analysis and a Service Based Plan for its operation. These activities will be done in coordination with all the agencies involved in the examination of goods.

2.17 (ii) *Electronic Single Window*. Establishing the ESW will require all participating agencies to update their equipment and procedures to enable a complete exchange of information with the central ESW database so as to comply with all reporting requirements for import, export and transit.

2.18 A special ESW Task Force will be appointed to mediate among the government agencies that will actively participate in the operations of the ESW. This ESW Task Force will be strengthened with the addition of international consultants to facilitate coordination tasks. The Customs and Excise Department (CED) will house the ESW and all government agencies and the port will be included in the implementation of the ESW.

2.19 The Program will fund: (i) the preparation of technical tender documents, the evaluation for the selection of a firm to develop the ESW, as well as a separate tender for the acquisition of an agency-wide Document Management System; (ii) the procurement of all the necessary software and hardware so that all agencies will be capable of fully integrating into the ESW and fully convert into paperless electronic format; (iii) the procurement of the ESW facility; (iv) the necessary training for both the public and private sector; and (v) the necessary upgrades of the Automated SYstem for CUstoms DAta (ASYCUDA ++) system into ASYCUDA WORLD for the CED and the management information system (MIS) at Barbados Port Inc. (BPI).

2.20 Sub-component 3.2: Transportation sector improvements. This sub-component will finance two major studies:

2.21 (i) *Overall sector study*. This will include the development of a transport sector strategy document that will assist in establishing strategies and priorities over the medium to long term. The activities to be carried out include, among others: (i) a general diagnostic of the sector including the most important transport modes, the financial aspects and the

funding sources for the sector, and the institutional structure and distribution of functions between different agencies; (ii) the identification of areas where efficiency and effectiveness could be improved, including infrastructure, provision of services, legal and institutional framework, financing structure, sector policies and strategies and private sector participation; and (iii) the development of a sector strategy and identification of specific short and medium term actions, including: a) high-priority investment projects, b) potential areas for positive impact in the sector, c) institutional aspects at central government level, d) normative and regulatory framework, e) possible changes that could be introduced and financing alternatives, and f) the contributions of the beneficiaries.

2.22 *(ii) Road infrastructure analysis.* An analysis of the medium to long-term plan will be carried out with respect to the major highways, and secondary, feeder and link roads, considering the possibilities of extending, widening, upgrading and improving them.

2.23 **Sub-component 3.3: Enhanced access to infrastructure through Public Private Partnerships (PPPs).** This sub-component will support the adoption of a PPP procurement methodology in a selected number of infrastructure projects and will provide “hands on training” for the stakeholders in the different public entities involved in the PPP project cycle.

2.24 *(i) Evaluation of a series of candidate projects to be carried out as PPPs.* An evaluation will be conducted applying the concepts of “value for money” and PPP comparator methodology to selected potential investment projects. Costs and benefits of carrying out the selected projects using either the PPP modality or the conventional modality will be assessed. Once the different projects have been evaluated, a recommendation on the PPP project candidates will be submitted to the Cabinet Committee on Infrastructure.

2.25 *(ii) Legal and regulatory framework for PPPs.* This activity of sub-component 3.3 will analyze the existing legal and regulatory framework in Barbados to assure that there are no legal impediments to project construction using the PPP procurement modality. Improvements to the existing framework will be recommended accordingly.

2.26 *(iii) Technical support through the project cycle, training and establishment of coordination mechanisms.* Upon approval by the Cabinet Committee on Infrastructure of a project to be executed utilizing PPP, this activity of sub-component 3.1 will supply “hands on training” to the participants responsible for the various stages of the project cycle. The design of these training activities will include a definition of the technical requirements and standards as well as the identification of the possible social and environmental impacts and their mitigation measures. Also, the coordination mechanisms between the different government agencies will be established.

2.27 *(iv) Fiscal and accounting treatment of PPP liabilities.* A methodology for evaluating and accounting for the commitments made when utilizing the PPP procurement methodology will be implemented as part of the project execution.

2.28 *(v) Monitoring, evaluation and dissemination.* This activity will support the design and implementation of a monitoring and evaluation system. The activity will also support the dissemination of lessons learned and best practices derived once the project has been completed.

Component 4: Strengthening public-private dialogue on competitiveness

2.29 This component will have two sub-components:

2.30 Sub-component 4.1: Design and strengthening of the Commission on Competitiveness and establishment of its Technical Unit. This sub-component will support (i) the redesign of the Commission on Competitiveness, chaired by the Prime Minister, to serve under the umbrella of the Social Partnership (SP) as the main articulator of public-private dialogue on the country's competitiveness and (ii) the establishment of the Commission's Technical Unit. This sub-component will also support the Technical Unit core staff for the first two years as well as capacity building (training and study tours to other similar entities) for the core staff, and the establishment of a monitoring and evaluation system. During the third and subsequent year of the Program, Bank financing will diminish as the GoBA incrementally assumes these recurring costs. The Technical Unit for the Commission on Competitiveness will be integrated into the Division of Economic Affairs, Ministry of Economic Affairs and Empowerment, Innovation, Trade, Industry and Commerce.

2.31 Sub-component 4.2: National Competitiveness Strategy and Action Plan. This sub-component will support the services required to provide inputs for the elaboration of an integral/systemic medium term National Competitiveness Strategy (NCS). This NCS will provide the mandate for the work of the Technical Unit.

2.32 This sub-component will also support: (i) a national consultative process to ensure that the final NCS will be extensively vetted among all sectors and interested parties; (ii) events such as town hall meetings and focus groups; (iii) the preparation of publicity materials; and (iv) an interactive website.

III. Cost and Financing

3.01 The total cost of the Program is estimated in the amount of US\$11.8 million. The Bank will finance up to US\$10 million, while the GoBA will provide US\$1.8 million as local counterpart. Local counterpart resources will finance the core team for the Project Coordination Unit as well as in-kind expenses related to Program administration, such as office space and supplies.

- 3.02** The following table contains a summary of the costs for each of the major components and sub-components disaggregated by source of funding:

Component	Costs (in US\$ thousands)			
	IDB	Counterpart	Total	%
1: Ensuring a coherent framework for business development: incentives and regulations.	1,150		1,150	10
1.1 Taxes and incentives	525		525	
1.2 Business Climate Reforms	625		625	
2. Ensuring a coherent BDS architecture for business development	1,180		1,180	10
2.1 Improving BDS & innovation	600		600	
2.2 Pilot cluster program	580		580	
3. Improving trade logistics & facilitation and access to infrastructure	5,870		5,870	49
3.1 Trade logistics and trade facilitation	4,725		4,725	
3.2 Transportation policy and master plan	400		400	
3.3 Enhanced access to infrastructure through PPPs	745		745	
4. Strengthening public-private dialogue on competitiveness	830		830	7
4.1 Design and strengthening of the Commission on Competitiveness and establishment of its Technical Unit.	500		500	
4.2 National Competitiveness Strategy and Action Plan	330		330	
Program administration	310	1,800	2,110	18
Project Coordination Unit		1,680	1,680	
Monitoring and Evaluation	235	120	355	
Audits	75		75	
Subtotal: Program costs	9,340	1,800	11,140	94
Contingencies	660		660	6
GRAND TOTAL:	10,000	1,800	11,800	100
TOTAL %	85 %	15 %		100

IV. Execution

- 4.01 Executing Agency.** The Ministry of Economic Affairs and Empowerment, Innovation, Trade, Industry and Commerce (METIC) will be the Executing Agency (EA) for the Program and will delegate day-to-day responsibilities to a Program Coordination Unit (PCU), described below, which will be in charge of the management of the Program execution.
- 4.02** The agreed structure for carrying out the Program takes into account the existing decision-making model applied to project implementation by the GoBA (*i.e.*, the establishment of a Steering Committee as well as a Technical Committee for the Program).
- 4.03 Program Steering Committee.** The Program Steering Committee (PSC) will assume an advisory and strategic role and will oversee Program execution. The PSC's members will be at the Permanent Secretary or related grade of their respective institutions. The PSC will take responsibility for the business issues associated with the Program and hold the PCU and the participating agencies accountable for meeting the objectives established. The PSC will also be responsible for approving documentation required by the Bank

under this Contract in connection with the implementation of the Program, as well as for monitoring risks, quality and timeliness and ensuring that the Program supports GoBA's policy for the enhancement of Barbados' competitiveness. The Program Operations Manual (described in paragraph 4.10 below) will contain the detailed Terms of Reference for the PSC.

- 4.04 Program Technical Committee.** The Program Technical Committee (PTC) will be composed of representatives of the participating agencies at the technical level. It will be responsible for providing technical advice to the PCU and other agencies that are conducting Program activities and will be accountable to the PSC. The Program Operations Manual will contain the detailed Terms of Reference for the PTC.
- 4.05** Presentation to the Bank of evidence that (i) the PSC and the PTC described above have been established, and (ii) the Terms of Reference for each Committee have been approved, will be conditions prior to the first disbursement of the Bank's Financing.
- 4.06** The Permanent Secretary of Economic Affairs (PS) in the METIC will be the focal point for the counterpart of this Program. The PS will have the discretion to refer matters of policy or Program strategy that exceed the mandate of the PSC to the Economic Policy Committee of the Cabinet. The Cabinet will be the ultimate authority regarding the direction of the Program.
- 4.07 Program Coordination Unit.** The PCU will have the responsibility for coordinating day-to-day implementation of the Program's activities. The PCU will be headed by a Coordinator, who will report directly to the PS. The core team of the PCU will also include a Deputy Coordinator, a Senior Accountant, and a clerk/typist. These four (4) posts will be civil service positions financed by the GoBA. Evidence that the PCU has been established and that these four (4) staff members have been employed will be conditions prior to the first disbursement of the Bank's Financing.
- 4.08** The principal functions of the PCU will include the following: (i) preparing the Program's Procurement Plan and the Annual Operating Plan; (ii) monitoring and reporting on implementation progress, setbacks and recommended solutions; (iii) preparing the Program's Budget and carrying out the Program's accounting, including reimbursement/disbursement of Program funds and effecting timely payments on behalf of the Program; (iv) carrying out all of the procurement functions, including providing support in the drafting of terms of reference and specifications, preparing bidding documents, receiving bids and proposals and coordinating the evaluation process; (v) preparing required technical and financial reports; (vi) ensuring compliance with contractual clauses; (vii) implementing operational and financial internal controls, including the setting up and maintenance of accounting and information systems for the Program; (viii) periodically reviewing the Program Operations Manual and proposing updates when necessary; (ix) serving as a liaison for the Program with the Bank and other participating agencies; and (x) and acting as the secretariat for the Steering and Technical Committees. Detailed descriptions of the responsibilities of each member of the PCU will be specified in the Program Operations Manual.
- 4.09** The PCU will also be supported by three consultants: a Procurement Specialist, a Monitoring & Evaluation (M&E) Specialist and a Trade Facilitation Coordinator for activities related to sub-component 3.1; as well as other short-term consulting services,

including two external evaluations and cost-benefit and cost-effectiveness analyses as well as project management services. The Program Operations Manual will specify the terms and conditions of these experts as well as their principal roles and responsibilities.

- 4.10 Program Operations Manual.** A Program Operations Manual, setting forth the details regarding Program implementation in accordance with Bank and national policies and rules, will be approved by the PSC as a condition prior to the first disbursement of the Bank's Financing. A draft Operations Manual has been agreed upon during project preparation, detailing: (a) the roles and responsibilities of each member of the PCU, (b) the reporting structure and the method for working with the participating agencies, and (c) the requirements and procedures for Program planning, financial administration, procurement management, supervision, results monitoring and evaluation, reporting, record-keeping and external audits.
- 4.11 Financial Management.** The Program will be managed via Smart Stream, the GoBA's official financial management system software. The financial management system of the Program will be organized so as to allow the identification of the Program transactions by source of funding and investment categories consistent with the Chart of Accounts approved by the Bank, and it should be independent from the rest of the EA's activities with the option of being able to integrate with the overall accounts of the EA. Detailed requirements for the Program accounting system will be contained in the Program Operations Manual.

V. Monitoring and Evaluation

- 5.01** An M&E Specialist will be contracted at the start of Program implementation to: (i) review the baseline values and indicators identified during preparation for those Program components where they are available, or (ii) establish baseline values and indicators for those components where they are not available as they represent new areas of activity in Barbados; (iii) set up a simple monitoring system that will rely as much as possible on existing data sources; (iv) establish the methodology for the mid-term and final evaluations of the Program; and (v) prepare a detailed M&E Plan for the Program which will be approved by the PSC and adopted at the Program Launch Workshop.
- 5.02** The PCU will be in charge of monitoring the performance and progress of Program implementation. Program monitoring will be based on the implementation of Annual Operating Plans, the Results Framework and Matrix of Indicators. At the end of each year of implementation, the PCU will prepare an operating plan for the following year. This plan will contain an evaluation of the results obtained during the previous period, and if needed, include a justification and recommended actions regarding any targets that were not achieved during the previous period. The Bank will conduct semi-annual reviews of the Program to evaluate progress in the implementation of the activities specified in the corresponding Annual Operating Plan. PSC approval of the first Annual Operating Plan will be a condition prior to the first disbursement of the Bank's Financing.
- 5.03** The design and operation of the M&E system will be specified in the Program Operations Manual.

- 5.04 Reports.** During Program implementation, the PCU will present to the Bank semi-annual progress reports, to be presented within 60 days of the end of the semester, summarizing the execution and financial highlights of the period. The report will also take into consideration the indicators of the Results Framework and other agreed goals. The second semi-annual report for each year will also present the Annual Operating Plan for the following year.
- 5.05 Mid-term evaluation.** An external mid-term evaluation will be undertaken during the second year of Program operation following the declaration of eligibility of the loan contract for disbursement. An external evaluator will be hired to conduct this exercise. Once the mid-term evaluation report has been submitted to the Bank, a mid-term review mission will take place to discuss with the METIC and other stakeholders and participants the results and recommendations of the evaluation in order to reach agreement on the plan of activities for the second half of the Program.
- 5.06 Final evaluation.** A final evaluation comprised of process and impact evaluations will be financed with resources of the Bank's Financing and will take place when 90% of these resources have been committed. The evaluation will assess the implementation of the Program and will document outcomes in participating agencies and actors. The specific components of the mid-term and final evaluations are specified in the Program Operations Manual.
- 5.07 Final assessment.** The PCU will collect, store and retain all necessary information, indicators and parameters, including the mid-term and final evaluations, to enable the Bank and the METIC to prepare the Program Completion Report.