

LOAN CONTRACT No. 2682/OC-BH

between

THE COMMONWEALTH OF THE BAHAMAS

and the

INTER-AMERICAN DEVELOPMENT BANK

Air Transport Reform Program
(Policy-Based Component)

December 16, 2011

LOAN CONTRACT

PART ONE

SPECIAL CONDITIONS

INTRODUCTION

Parties, Objective, Constituent Elements and Executing Agency

1. PARTIES AND OBJECTIVE OF THE CONTRACT

CONTRACT entered into on December 16, 2011, between THE COMMONWEALTH OF THE BAHAMAS (hereinafter referred to as the “Borrower”) and the INTER-AMERICAN DEVELOPMENT BANK (hereinafter referred to as the “Bank”) to cooperate in the execution of an air transport reform program (hereinafter referred to as the “Program”).

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

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

(b) Procedural provisions relating to amortization, interest, credit fee, inspection and supervision and disbursement, as well as other conditions related to Program 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 its Ministry responsible for Aviation (currently the Ministry of Tourism and Aviation), which for the purposes of this Contract shall be referred to as the “Executing Agency” or “MoTA”. The Borrower gives its assurance as to the legal and financial capacity of the Executing Agency to function as such, and the Borrower undertakes to fulfill all the provisions set forth in this Contract. The Borrower, through its Ministry of Finance (“MOF”), undertakes to guarantee that the Executing Agency will carry out the execution of the Program in accordance with the provisions set forth in this Contract.

CHAPTER I

Amount of Financing and Purpose

SECTION 1.01 **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 of the Bank, of up to the amount of forty-seven million five hundred thousand dollars of the United States of America (US\$47,500,000), that form part of such resources. 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. 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 **Purpose.** (a) The purpose of the Financing is to support the execution of an air sector policy reform program to promote the development of safe, secure and efficient air transport in The Bahamas in adherence with international standards. This will be achieved through a comprehensive reform of the existing institutional and regulatory structure, which will require the implementation of new institutional and legal frameworks and arrangements for financing and infrastructure management.

(b) Resources of the Financing shall not be used to finance the expenses described in Sections 3.07 and 3.08 of these Special Conditions. The resources of the Financing may be used to finance the expenses described in Section 2.03 of these Special Conditions.

CHAPTER II

Amortization, Interest, 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 sixty-six (66) months from the date of signature of this 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 (20) years from the same date.

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 or as soon as practicable after the determination thereof.

(b) Interest shall be payable to the Bank semiannually, beginning six (6) months from the date of signature of this 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, the Borrower shall not be required to cover the Bank's expenses for general inspection and supervision of the Financing, except if the Bank determines otherwise 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. In such event, the Borrower shall pay the Bank directly the corresponding amount, in dollars, during the disbursement period and on the dates on which interest payments are due. 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 the Bank 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 Currency and Use of Funds. The amount of the Financing shall be disbursed in dollars from the Single Currency Facility of the ordinary capital resources of the Bank. The Bank will make the disbursements of the resources of the Financing in two (2) tranches. The first tranche shall be up to the amount of fifteen million dollars (US\$15,000,000), and the second tranche shall be up to the amount of thirty-two million five hundred thousand dollars (US\$32,500,000). The disbursements of these tranches of the resources of the Financing will be subject to the compliance by the Borrower of the conditions precedents set forth in this Chapter of these Special Conditions and in Chapter IV of the General Conditions.

SECTION 3.02 Currency Availability. Notwithstanding the provisions of Sections 1.01 and 3.01 of these Special Conditions, if the Bank does not have access to the agreed Single Currency, after consulting the Borrower, the Bank shall select another Single Currency for disbursement. The Bank may continue to make disbursements in the selected Single Currency as long as it does not have access to the agreed currency. Amortization payments shall be made in the Single Currency in which the disbursements are made with the corresponding financial charges.

SECTION 3.03 Special Conditions Prior to all Disbursements of the Financing. In addition to the conditions precedent set forth in Articles 4.01 and 4.03 of the General Conditions,

the disbursements of the Financing shall be subject to the fulfillment, to the satisfaction of the Bank, of the following conditions:

- (a) the Borrower maintains a macroeconomic policy framework that allows the achievement of the objectives of the Program and is consistent with the Policy Letter referred to in Section 4.01 of these Special Conditions;
- (b) the Borrower maintains open the special bank account(s) referred to in Article 4.01(c) of the General Conditions, in which the Bank will disburse the resources of the Financing;
- (c) the Borrower has complied with all the conditions precedent established in these Special Conditions for the corresponding tranche; and
- (d) the Borrower continues to comply with the policy measures regarding to the tranche(s) already disbursed.

SECTION 3.04 Special Conditions Prior to the Disbursement of the First Tranche of the Financing. In addition to the conditions precedent set forth in Articles 4.01 and 4.03 of the General Conditions and in Section 3.03 of these Special Conditions, the disbursement of the resources corresponding to the first tranche of the Financing shall be subject to the fulfillment, to the satisfaction of the Bank, of the following conditions:

- (a) the Policy on the Aviation Sector Reform (“White Paper”), separating policy making, regulatory and operational functions, has been approved by Cabinet;
- (b) Cabinet approved White Paper provides for the creation of an independent and autonomous Civil Aviation Authority (CAA), responsible for technical regulation of the aviation sector;
- (c) Cabinet approved White Paper provides for the transfer of all responsibilities for airport operation and Air Traffic Control (ATC) operations to the Airport Authority (AA);
- (d) Cabinet approved White Paper provides for the assignment of responsibility for accident and incident investigation to a newly created body, completely independent from the regulator and operator;
- (e) the Guidelines for a comprehensive strategy for Family Islands airports’ optimization to satisfy the new aviation sector policy and obligations of the Airport Authority (AA) have been approved by MoTA;
- (f) evidence of the approval by MoTA of the bidding documents for the procurement of radar equipment for LPIA (Nassau airport), according to the standards of the International Civil Aviation Organization (ICAO);

(g) the Environment, Health and Safety and Emergency Preparedness standards and procedures for airports are under preparation;

(h) the Hazardous Cargo Management Procedures are under preparation; and

(i) the standards for energy and water use and conservation in airports are under preparation.

SECTION 3.05 Special Conditions Prior to the Disbursement of the Second Tranche of the Financing. In addition to the conditions precedent set forth in Articles 4.01 and 4.03 of the General Conditions and in Section 3.03 of these Special Conditions, the disbursement of the resources corresponding to the second tranche of the Financing shall be subject to the fulfillment, to the satisfaction of the Bank, of the following conditions:

(a) evidence that legislation to implement the policy on the Aviation Sector Reform (included in the “White Paper”) has been approved by Parliament and is in implementation;

(b) the CAA has been created and has been operational for at least three (3) months, with responsibility over technical regulations of the aviation sector and ability to charge for its services, with defined organizational structure, lines of responsibility, approved and allocated annual budget, and adequate professional staff to meet its responsibilities according to international best practices;

(c) the AA has been assigned the responsibility to operate and develop all government owned airports in The Bahamas and to manage ATC operations in The Bahamas control airspace, with defined organization structure and lines of responsibility, revenue strategy in place to meet its financial obligations, and adequate professional staff to meet its responsibilities according to international best practices;

(d) a unit and procedures for the independent investigation of accidents and incidents at airports under Bahamian jurisdiction and within The Bahamas control airspace has been established, and said unit has been operational for at least three (3) months;

(e) a new financial structure is in place to implement the policies for: (i) a financially stable CAA with sufficient resources to meet its responsibilities; (ii) an AA that operates on a commercial basis (cost-recovery oriented) five (5) airports (Marsh Harbour Abaco, North Eleuthera, San Salvador, Governor’s Harbor and Exuma – Moss Town); and (iii) adequate budget allocations of the Government of The Bahamas for other airports in the Family Islands as deemed necessary;

(f) a comprehensive strategy for Family Islands airports’ optimization to satisfy the new aviation sector policy and obligations of the Airport Authority (AA), including timeline and resources for its implementation, has been finalized and approved by Cabinet;

(g) evidence of the acquisition, installment and operation of new radar equipment for LPIA (Nassau airport);

(h) evidence that seven (7) airports (Nassau, Freeport, Marsh Harbour Abaco, North Eleuthera, San Salvador, Governor's Harbor and Exuma – Moss Town) comply with the established Environment, Health and Safety and Emergency Preparedness standards;

(i) evidence that seven (7) airports (Nassau, Freeport, Marsh Harbour Abaco, North Eleuthera, San Salvador, Governor's Harbor and Exuma – Moss Town) comply with the established Hazardous Cargo Management Procedures; and

(j) the standards for energy and water use and conservation in airports have been approved by MoTA.

SECTION 3.06 Disbursement Period. The period for the disbursements of the resources of the Financing shall expire five (5) years from the date of signature of this Contract.

SECTION 3.07 Expenditures Excluded from the Financing. (a) No disbursement from the resources of the Financing shall be made to finance:

- (i) expenditures in goods included in the groups or sub-groups of the United Nations Standard International Trade Classification (SITC) list, as indicated in Section 3.08 of these Special Conditions;
- (ii) expenditures in goods acquired under contracts in an amount below ten thousand dollars (US\$10,000) equivalent;
- (iii) expenditures in goods financed in foreign exchange, under medium or long terms;
- (iv) expenditures in luxury goods;
- (v) expenditures in weapons;
- (vi) expenditures in goods for the use of the armed forces;
- (vii) expenditures in goods from countries that are not members of the Bank; and
- (viii) expenditures under a contract in which the Bank has determined: (i) that there is sufficient evidence 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 during any stage of the process of bidding, negotiation or execution of such contract; and (ii) that the Borrower, Executing Agency or Contracting Agency has not taken any appropriate action, acceptable to the Bank and according with the due

process warranties established under the Borrower's legislation, in order to correct such situation.

(b) If the Bank determines at any time, that resources of the Financing have been used to pay for any expenditures referred to in subsection (a) of this Section, the Borrower will have to immediately reimburse to the Bank or to the special account referred to in subsection (c) of Article 4.01 of the General Conditions and subsection (b) of Section 3.03 of the Special Conditions, as the Bank may determine, the total amount of the resources of the Financing used for the payment of expenditures excluded from the Financing.

SECTION 3.08 **Negative List.** The goods referred to in subsection (i) of Section 3.07 hereinabove are included in the following groups and sub-groups of the United Nations Standard International Trade Classification (SITC),¹ including any amendment that may be made to these groups or sub-groups and of which the Bank shall notify the Borrower:

<u>GROUPS</u>	<u>SUB-GROUPS</u>	<u>DESCRIPTION OF ITEM</u>
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semi-precious stones, worked or unworked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
897	897.3	Gold, silver or platinum jewelry (except watches, and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

CHAPTER IV

Execution of the Program

SECTION 4.01 **Policy Letter.** The Borrower and the Bank have agreed on the contents of the Policy Letter dated November 17, 2011, from the Borrower to the Bank, that describes the objectives, policies and actions toward the achievement of the objectives of the Program and in which the Borrower declares its commitment to the execution of the Program, and for the purposes established in Section 4.04 of these Special Conditions.

1 See the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev. 3 (1986).

SECTION 4.02 Periodic Meetings. (a) The Borrower and the Bank shall meet at least every six (6) months at the request of either party and on the date and at the place agreed upon, to exchange views on: (i) the general progress achieved in carrying out the Program, compliance with the conditions set forth in Sections 3.03, 3.04 and 3.05 of these Special Conditions, and performance of the commitments undertaken by the Borrower in the Policy Letter referred to in Section 4.01 above; and (ii) the consistency of the Borrower's macroeconomic framework with the objectives of the Program. Prior to each such exchange of views, the Borrower shall submit to the Bank, for its review and comments, a report in such detail as the Bank shall reasonably request on the fulfillment of the obligations referred to in sub-paragraphs (i) and (ii) of this Section.

(b) If from the review of the Program's reports, the Bank determines that the implementation of the Program is not satisfactory, the Borrower shall submit to the Bank within thirty (30) days from the date of the Bank's notification, the plans or reports necessary to correct the problems, along with a timetable for their implementation.

SECTION 4.03 Ex-Post Evaluation. The Borrower agrees to cooperate in the evaluation of the Program to be carried out by the Bank after the Program's execution, with the purpose of identifying, to the extent possible, whether the objectives of the Program have been reached, and to provide to the Bank all the information, data and documentation that the Bank may request to carry out said evaluation.

SECTION 4.04 Modification of Legal Provisions and Basic Regulations. The parties agree that, when changes are made to the macroeconomic and sector policies indicated in the Policy Letter referred to in Section 4.01 of these Special Conditions, or in the legal provisions or in the basic regulations of the Executing Agency or the Borrower, and the Bank considers that said changes can substantially affect the Program, the Bank shall have the right to request of the Borrower all necessary and reasonable information, with the purpose of determining whether said changes may have a substantial adverse effect in the execution of the Program. The Bank, after receiving and analyzing the information provided by the Borrower, and after consultation with the Borrower, may take the measures it deems necessary in accordance with the provisions of this Contract.

CHAPTER V

Records, Inspections, and Reports

SECTION 5.01 Records, Inspections, and Reports. The resources of the Financing will be deposited in the Special Account or in the Special Accounts exclusively designated for the Program. The Borrower agrees to maintain accounting records, and an adequate internal control system, in accordance with Article 6.01 of the General Conditions.

SECTION 5.02 Audits. Upon request by the Bank, the Borrower shall submit an accounting statement of the use of the resources of the Financing duly certified by independent

auditors acceptable to the Bank in accordance with terms of reference agreed upon with the Bank.

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 hereunder.

SECTION 6.03 **Validity.** The rights and obligations set forth 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
Sir Cecil Wallace-Whitfield Building
Cable Beach
P.O. Box N-3017
Nassau, NP
The Bahamas

Facsimile: (242) 327-1618

For matters relating to Program execution:

Mailing Address:

Ministry of Tourism and Aviation
P.O. Box N-3701
George Street,
Nassau, NP
The Bahamas

Facsimile: 242-328-0945

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 resolution of any controversy which may arise under this Contract and which is not resolved by agreement between the parties, the Borrower and the Bank agree to unconditionally and irrevocably submit themselves to the procedures and ruling of the Arbitration Tribunal referred to in Chapter VIII 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 originals in Nassau, The Bahamas, on the date above written.

THE COMMONWEALTH OF THE
BAHAMAS

INTER-AMERICAN DEVELOPMENT
BANK

/s/ Hubert A. Ingraham

/s/ Roberto Vellutini

The Right Honourable Hubert A. Ingraham
Prime Minister and Minister of Finance

Roberto Vellutini
Vice President for Countries

Witness of Honor

/s/ Vincent Vanderpool-Wallace

Senator The Honourable Vincent Vanderpool-Wallace
Minister of Tourism and Aviation

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 in order to support policy-based programs, 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) “Bank Group” means the Bank, the Inter-American Investment Corporation and the Multilateral Investment Fund.
- (c) “Board” means the Board of Executive Directors of the Bank.
- (d) “Borrower” means the party to which the Financing is made available.
- (e) “Contract” means the entirety of the Special Conditions, the General Conditions and the Annexes.
- (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) “Derivatives Contract” means any derivatives contract entered into between the Bank and the Borrower, or between the Bank and the Guarantor, in order to document and/or confirm one or more derivative transactions agreed between the Bank and the Borrower or the Bank and the Guarantor (as the case may be), and any subsequent modifications thereto. Such Derivatives Contracts shall be understood to include any annexes, modifications and other supplementary agreements thereto.

(i) “Executing Agency/Agencies” means the entity/entities responsible for executing all or part of the Project.

(j) “Fixed Base Rate” means the market swap rate on the effective date of the conversion.

(k) “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.

(l) “Financing” means the funds which the Bank has agreed to make available to the Borrower to assist in carrying out the Project.

(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 for policy-based programs.

(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:

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.

- (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 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) “Prohibited Practices” means the act(s) defined in Article 5.03 of these General Conditions.
- (s) “Project” means the Program or Project for which the Financing has been extended.
- (t) “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.
- (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(b) 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 3.14, 3.15 and 5.02 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; and (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 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 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(k) 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 models of the letters to proceed with the conversion, as determined hereby, will be submitted to the Borrower, as soon as the Borrower manifests its interest in proceeding 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 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 Single Currencies. (a) For Single Currency Facility Loans, disbursements and payments of amortization and interest shall be in the Single Currency of the particular Loan.

(b) Interest and amortization payments shall be made in the currency of disbursement, in the equivalent in dollars, determined in accordance with the rate of exchange in effect on the date of payment.

(c) In order to compute the dollar equivalents described in paragraphs (a) and (b) of this Article 3.05, the calculation method set forth in Article 3.06 shall be used.

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

(a) 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.

(b) 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 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.

(c) 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.

(d) 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.

(e) 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.

ARTICLE 3.07. 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 3.08. 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 3.09. 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 3.10. Advance Payments. Pursuant to an irrevocable request in writing to the Bank, accompanied by the written consent of the Guarantor, if any, at least thirty (30) days in advance, 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 a 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, if there is any gain or loss resulting from the cancellation or change of the Bank's funding associated with the corresponding prepayment, it 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 3.11. 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 3.12. Transactions Falling Due on Public Holidays. Any payment or other transaction which, pursuant to this Contract, should be effected on a 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 3.13. 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 3.14. 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.

ARTICLE 3.15. 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 the 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 or Executing Agency shall have presented to the Bank information regarding the special banking account in which the Bank shall deposit the disbursements of the Financing; and

(d) The Borrower, or the Executing Agency, if any, shall have submitted in writing a disbursement request in accordance with the terms and conditions established in Article 4.03 hereof.

ARTICLE 4.02. Period for Fulfilling the Conditions Precedent to First Disbursement. If within sixty (60) 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, as the case may be, shall have submitted in writing, or by electronic means in such form and conditions as may be specified by the Bank, 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) unless the Bank otherwise agrees, disbursement requests must be presented no later than thirty (30) calendar days in advance of the date of expiration of the term for disbursement or of any extension thereof which the Borrower and the Bank may have agreed to in writing; (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. 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 4.05. 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, to the special banking account referred to in Article 4.01(c) of these General Conditions; (b) by making payments on behalf of and in agreement with the Borrower to other banking institutions; and (c) by utilizing such other modality 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 five per cent (5%) of the total amount of the Financing.

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 contract entered into between the Bank and the Borrower, including any other loan contract or Derivative Contract.

(b) Nonfulfillment by the Borrower of any other obligation set forth in this Contract or in any other Contract entered into with the Bank for the Financing of the Project, or in any Derivatives Contract entered into with the Bank.

(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 or in any Derivatives Contract with the Bank.

(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, in accordance with the sanctions procedures of the Bank, that an employee, agent, or representative of the Borrower or the Executing Agency, has engaged in a Prohibited Practice during the execution of the Program or in the use of the resources of the Loan, or if an employee, agent or representative of the Borrower or of the Executing Agency is temporarily declared ineligible for the awarding of further contracts pending a final decision in the sanctions process, or other resolution..

ARTICLE 5.02. Termination, Accelerated Maturity, or Partial Cancellation of Undisbursed Balances and other Measures. 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 fees accrued up to the date of payment, in any of the following circumstances:

(a) If any of the circumstances set forth in paragraphs (a), (b), (c) and (e) of the preceding article continues for more than sixty (60) days;

(b) If it is determined in accordance with the sanctions procedures of the Bank, that the Borrower or the Executing Agency (including their respective officers, agents, or representatives) has engaged in a Prohibited Practice during the execution of the Program or in the utilization of the resources of the Loan; and that there is evidence that the Borrower or the Executing Agency has not taken adequate remedial measures (including, *inter alia*, providing adequate notice to the Bank upon learning of the Prohibited Practice) within a period of time the Bank considers reasonable; or

(c) If the information referred to in Article 5.01(d) of these General Conditions, or in the information or clarifications presented by the Borrower or the Executing Agency (as the case may be) pursuant to the same, is not satisfactory to the Bank.

ARTICLE 5.03. Prohibited Practices. (a) For the purposes of this Contract, a “Prohibited Practice” shall be understood to include the following acts: (i) a “corrupt practice”, is the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party; (ii) a “fraudulent practice”, is any act or omission, including a misrepresentation that knowingly or recklessly misleads, or attempts to mislead, a party 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 the property of the party to influence improperly the actions of a party; (iv) a “collusive practice”, is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party; and (v) an “obstructive practice” is (A) deliberately destroying, falsifying, altering or concealing evidence material to the investigation or making false statements to investigators in order to materially impede a Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (B) acts intended to materially impede the exercise of the Bank’s inspection and audit rights provided for in this Contract.

(b) If in accordance with the provisions established in Articles 5.01(g) and 5.02 (b) of these General Conditions, it is determined in accordance with the sanctions procedures of the Bank, that the Borrower or the Executing Agency (including any employee, agent, or representative) has engaged in a Prohibited Practice, the Bank may, in addition:

- (i) issue the entity or individual involved in the Prohibited Practice a reprimand in the form of a formal letter of censure for its behavior;
- (ii) declare any entity or individual involved in the Prohibited Practice ineligible, either permanently or for a stated period of time, to (A) participate in contracts under activities financed by the Bank; and (B) be a nominated sub-consultant, sub-contractor, supplier or service provider of an otherwise eligible firm being awarded a Bank-financed contract;

- (iii) refer the matter to appropriate law enforcement authorities; and/or
- (iv) impose other sanctions that it deems to be appropriate under the circumstances, including the imposition of fines representing reimbursement to the Bank for costs associated with investigations and proceedings.

(c) The imposition of any action to be taken by the Bank pursuant to the provisions referred to above will be made public.

(d) The Borrower, the Executing Agency and any employee or representative thereof may be subject to sanctions pursuant to agreements the Bank may have with other international financial institutions regarding the mutual enforcement of debarment decisions. For purposes of this paragraph (d) the term “sanction” shall mean any permanent debarment, conditions on future contracting or any publicly-disclosed action taken in response to a violation of an international financial institution’s applicable framework for addressing allegations of Prohibited Practices.

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

Records, Inspections and Reports

ARTICLE 6.01. Internal Control and Records. The Borrower or the Executing 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 and account 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 Bank; and (b) allow the identification of the information related with the execution of the Program or the use of the resources of the Loan.

ARTICLE 6.02. Inspections. (a) The Bank may establish such inspection procedures as it deems necessary to ensure the satisfactory development of the Project.

(b) The Borrower and the Executing Agency, as the case may be, 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, and shall provide to the Bank any documents, including those related to expenses incurred with resources of the Financing, that the Bank might reasonably request. The Borrower and the Executing 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. In addition, the Borrower and the Executing 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.

(c) With regard to any investigation of allegations of Prohibited Practices, the Borrower and the Executing Agency, as the case may be, shall provide full assistance to the Bank; shall deliver to the Bank any document deemed necessary for such investigation; and shall ensure that those employees or agents who are responsible for Bank-financed activities will be available to respond to inquiries within the context of an investigation, be it from Bank personnel or from any investigator, agent, auditor or consultant duly assigned to the investigation.

(d) The personnel that the Bank shall send or designate as investigators, agents, auditors or experts for the purposes set forth in this Article 6.02 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.

(e) If the Borrower or the Executing 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 or the Executing Agency, as the case may be.

CHAPTER VII

Provision on Encumbrances and Exemptions

ARTICLE 7.01. 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 7.02. 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 VIII

Arbitration Procedure

ARTICLE 8.01. 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 8.02. 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 upon 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 8.03. 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 8.04. 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 8.05. 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 8.06. 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.