

LOAN CONTRACT No. 2060/OC-BL

between

BELIZE

and the

INTER-AMERICAN DEVELOPMENT BANK

Sustainable Tourism Program

April 27, 2009

LOAN CONTRACT

SPECIAL CONDITIONS

INTRODUCTION

Parties, Purpose, Constituent Elements and Executing Agency

1. PARTIES AND PURPOSE OF THE CONTRACT

CONTRACT entered into on April 27, 2009, between BELIZE (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 sustainable tourism program (hereinafter referred to as the "Program"). The major aspects of the Program are described in detail in the Annex (hereinafter referred to as 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 is 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 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 by the Borrower, acting through its Ministry of Tourism and Civil Aviation (MTCA) and through the Belize Tourism Board (BTB) together referred to as the "Executing Agencies".

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 fourteen million six hundred eighty two thousand dollars of the United States of America (US\$14.682.000). 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.** (a) In accordance with this Contract, the Bank agrees to grant to the Borrower, and the Borrower accepts, a "Financing," chargeable to the resources of the Single Currency Facility of the ordinary capital resources of the Bank, of up to the amount of thirteen million three hundred twenty two thousand dollars of the United States of America (US\$13.322.000). The amounts disbursed from the Financing shall constitute the "Loan."

(b) The Loan shall be a Single Currency Facility Loan with an Adjustable Interest Rate and may be converted to a Single Currency Facility Loan with a LIBOR-Based Interest Rate only if such selection is made by the Borrower pursuant to Section 2.03 of these Special Conditions and Article 4.01(g) of the General Conditions.

SECTION 1.03 **Currency Availability.** Notwithstanding Sections 1.02 and 3.01(a), if the Bank is unable to obtain access to the agreed upon Single Currency, the Bank may disburse 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 three hundred sixty thousand dollars (US\$1.360.000), 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 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 five (25) 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 an Adjustable Interest Rate. The Bank shall notify the Borrower of the rate of interest applicable during each Quarter or Semester, as the case may be, as soon as practicable after the determination thereof. If the Borrower elects to change the interest rate alternative of a Single Currency Facility Loan pursuant to Section 2.03 of these Special Conditions and Article 4.01(g) of the General Conditions, the Borrower shall pay interest 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.

(b) Interest shall be payable 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.

SECTION 2.03 Confirmation of or Change in the Interest Rate Alternative of the Financing and Prepayment of the Outstanding Balance of the Loan with Fixed Interest Rate.

(a) Pursuant to Article 4.01(g) of the General Conditions, the Borrower shall confirm in writing to the Bank, as a condition precedent to the first disbursement of the resources of the Financing, its decision of either maintaining the interest rate alternative of the Financing set forth in Sections 1.02(b) and 2.02(a) of these Special Conditions, or changing it to a LIBOR-Based Interest Rate. Once this selection has been made by the Borrower pursuant to Article 4.01(g) of the General Conditions, the LIBOR-Based Interest Rate alternative of the Financing may not be changed to a Adjustable Interest Rate at any other time during the life of the Loan.

(b) Should the Borrower select the LIBOR-Based Interest Rate alternative, the Borrower may request a conversion of all or part of the outstanding balance of the Loan set at such rate, to a Fixed Interest Rate, as determined by the Bank and notified, in writing, to the Borrower. For the purpose of applying the Fixed Interest Rate to the outstanding balance of the Loan, each conversion shall only be made in amounts which correspond to at least 25% of the net amount of the Financing or three million dollars (US\$3,000,000), whichever is greater. At the time of each conversion the Bank will charge a Conversion Fee, payable in dollars, of five (5) basis points, on the converted amount. At the written request of the Borrower, this Conversion Fee may be converted to an annual rate calculated in dollars and added to the Fixed Base Rate. Once the Borrower has notified the Bank of its decision to carry out a conversion, as described in this paragraph, the Bank will provide the Borrower with model letters to be used by the Borrower for effecting such conversion.

(c) The Borrower may request in writing to the Bank, that all or part of the outstanding balance of the Loan with Fixed Interest Rate be reconverted to a LIBOR-Based Interest Rate. Each reconversion of the Loan to a LIBOR-Based Interest Rate shall be made only on the remaining balance of the respective conversion or for three million dollars (US\$3,000,000), whichever is greater. At the time of the reconversion, the Bank will charge a Reconversion Fee, payable in dollars, of five (5) basis points on the amount reconverted. Any gain or loss resulting from the liquidation of coverage associated with the reconversion, will be either credited or charged to the Borrower by the Bank, as the case may be.

(d) The Borrower may prepay all or part of the balance of the Loan with Fixed Interest Rate by sending an irrevocable written notice to the Bank at least thirty (30) days prior to any of the amortization payment dates. The Borrower shall specify in the notice the amount the Borrower intends to prepay. In the event that the prepayment does not cover the entire outstanding balance of the Loan subject to a Fixed Interest Rate, the prepayment will be applied proportionately to the remaining amortization installments. The Borrower may not prepay the outstanding balance of the Loan subject to 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.

(e) Notwithstanding the provision of subsection (d) above, in cases of partial or total prepayment of the outstanding balance of the Loan with Fixed Interest Rate as set forth in that subsection, any gain or loss resulting from the liquidation of coverage associated with the prepayment will be either credited or charged to the Borrower by the Bank, as the case may be.

(f) The Bank shall also charge the Borrower any cost the Bank may incur as a result of: (i) the revocation of, or changes made by the Borrower in, the written request for conversion of the Loan from a LIBOR-Based Interest Rate Loan to a Fixed Interest Rate or for the reconversion of a Fixed Interest Rate Loan to a LIBOR-Based Interest Rate Loan; or (ii) failure on the part of the Borrower to comply with the written request for partial or total prepayment of the outstanding balance of the Loan in accordance with the provisions of subsection (d) of this Section.

(g) For the purposes of this Section 2.03, “Fixed Base Rate” means the market base swap rate on the effective date of the conversion or reconversion; and “Fixed Interest Rate” means the sum of (i) the Fixed Base Rate, plus (ii) the prevailing ordinary capital lending spread expressed in basis points (bps) which shall be determined by the Bank periodically pursuant to Article 3.04 of the General Conditions.

SECTION 2.04 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 2.05 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 goods and services acquired through international competitive bidding and for such other purposes as are indicated in this Contract.

(b) The resources of the Financing shall only be used for payments of goods and services originating in the member countries of the Bank.

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

(a) entry into effect of an Agreement between the Ministry of Tourism and Civil Aviation, representing the central government, and the Belize Tourism Board in order to specify the responsibilities of each party in the execution of the Program, including the financial relationship, transferring of resources to BTB, accountability and monitoring of the Program;

(b) selection of the Project Director of the Project Coordination Unit referred to in paragraph 4.03 of the Annex;

(c) designation of the sub-committee of the National Tourism Advisory Council to act as steering committee of the Program, as referred to in paragraph 4.06 of the Annex;

(d) approval of the Program Operating Manual, referred to in paragraph 4.05 of the Annex.

SECTION 3.03 Reimbursement 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 Project on or after November 25, 2008 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 fifty (50) months from the effective date of this Contract.

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

(b) The reports on the execution of the Program which the Borrower 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 and Goods. Works and goods shall be procured in accordance with the provisions set forth in Document GN-2349-7 (“Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank”), dated July 2006 (hereinafter referred to as “the Procurement Policies”), which the Borrower declares to know, and the provisions set forth below.

(a) **International Competitive Bidding:** Except as otherwise provided in subsection (b) of this Section, works and goods 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 and goods 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 one million dollars (US\$1,000,000) equivalent per contract and goods estimated to cost less than one hundred thousand dollars (US\$100,000) equivalent per contract, in accordance with the provisions of paragraphs 3.3 and 3.4 of the Procurement Policies and the basic guarantees that bidding procedures must meet, and the following provisions are applied:

(A) The Borrower undertakes to allow the participation of firms or individual providers of goods and works from Bank member countries, and to declare those firms or individual providers of goods and works from non-member countries of the Bank ineligible to participate in contracts to be financed in whole or in part by the Bank.

(B) The Borrower undertakes to ensure that it shall not establish: (1) percentages of goods or services of local origin that must be included, as a bidding requirement, in the bidding documents; (2) margins of domestic preference; and (3) a fee in excess of the cost of printing and delivery of the tender documents, if a fee is charge for the tender

documents, and in any case the fee shall be so high as to discourage qualify bidders.

- (C) The Borrower undertakes that, unless agreed with the Bank for a particular tender, tenders shall be invited by the publication of a notice in at least one newspaper of wide circulation in Belize, on three consecutive occasions or in a free and open access website;
- (D) The Borrower undertakes to agree with the Bank upon the standard bidding document(s) that shall be used in the National Competitive Bidding procedures for the procurement of goods and works financed by the Bank. The bidding documents shall, among other things: (1) clarify that the entity in charge of answering questions related to the bidding documents must do so by sending a response to each recipient of the original bidding documents. The response shall include a description of the observations and clarifying requests made, and shall keep confidential the name(s) of those interested parties that made the observations or clarifications; (2) state that if necessary, the deadline for receipt of bids will be extended for a longer period to allow the bidders to take into consideration the changes made to the bidding documents when preparing the bids; (3) distinguish between errors and omissions that are properly subject to correction and those that are not, with relation to any aspect of the offers. Bidders shall not be automatically disqualified for not having submitted complete information, either unintentionally or because the requirements in the bidding documents were unclear. If the errors or omission in question are subject to correction, generally in the case of issues related to data confirmation, information of a historic nature, or issues that do not affect the principle that bids should be substantially responsive to the bidding documents, the Borrower shall grant the bidder a reasonable period of time to promptly provide the missing information or correct the mistake. Failure to sign a bid or submit a guarantee shall not be reparable. Bidders shall not be permitted to correct errors or omissions that alter the substance of their offer or improve it; (4) include as bidder's options regarding bid and performance securities, or securities to cover advance payments, in the form of: (aa) a demand guarantee; (bb) an irrevocable letter of credit; (cc) a cashier's or certified check; or (dd) any other security indicated in the tender documents. The following are the maximum percentages for bid and performance securities: (aa) in the case of procurement of goods, the bid security shall be of between 2% and 5% of the estimated cost of the goods; and the performance security shall be established at between 5% and 10% of the estimated value of the contract; (bb) in the case of procurement of works, the bid security shall not exceed 3% of the value of the contract. The

performance security, in the case of bank guarantees shall be set at between 5% and 10% of the value of the contract; and in the case of performance bonds, issued by a bonding or insurance company, the security shall be for an amount of up to 30% of the value of the contract; (5) include the type of bid security required and determine that it shall be issued by a reputable bank or financial institution of a member country of the Bank duly authorized to operate in the country. If issued by a foreign bank or institution, it could be, at the choice of the bidder: (aa) issued by a bank with a correspondent financial institution located in the country of the Borrower or; (bb) issued directly, with the consent of the Borrower, by a foreign bank of a Bank member country acceptable to the Borrower; (6) establish that the time allowed for the preparation and submission of bids shall be at least thirty (30) calendar days prior to the date set for bid opening; (7) establish that the procedure and criteria for evaluation, including the evaluation stages and the award of contracts, will be carried out following the provisions of paragraphs 2.48 to 2.54 and 2.58 to 2.60 of the Procurement Policies. Regarding the publicity, it could be carried out by the Borrower, in conformity with paragraph 3.4 of the Procurement Policies; (8) establish that offers shall be submitted in a single sealed envelope in a public ceremony and shall include: (aa) the offer itself with the price offered; (bb) the required securities; (cc) price schedules; (dd) documents establishing the bidder's eligibility and qualifications; (ee) alternate offer or offers, if requested; (9) establish that after the public opening of bids, and until the notification of contract award to the winning bidder, information relating to the examination, clarification, and evaluation of bids and recommendations concerning awards shall not be disclosed to bidders or other persons not officially concerned with this process; and (11) indicate the proper forum and procedure to resolve protests or complaints that may arise between the Borrower and its contractors or suppliers because of procurement procedures carried out under the Program. These procedures and the resolution of the protest shall take into account the principles set forth by Bank policies and the rules of paragraphs 11, 12 and 13 of Appendix 3 of the Procurement Policies.

- (ii) National Shopping: For works estimated to cost less than one hundred thousand dollars (US\$100,000) equivalent per contract and goods estimated to cost less than twenty five thousand dollars (US\$25,000) equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraph 3.02 of the Procurement Policies.

- (c) Additional Procurement Requirements: The Borrower, through the Executing Agencies, shall carry out the procurement of works and goods 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, shall submit to the Bank evidence that it has:

- (i) 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, as well as the riparian rights required for the respective works;
 - (ii) prior to issuing each call for public tendering, the signature of agreement(s) with the corresponding agencies for the purpose established in paragraph 4.04 of the Annex;
 - (iii) prior to issuing the call for public tendering for the construction of works for the San Pedro project, evidence that the specialized technical studies, an analysis of alternatives, further consultations with affected parties and a reassessment of the economic and financial sustainability of the project have been carried out.
- (d) Review by the Bank of Procurement Decisions:
- (i) Procurement Planning: Prior to the issuance of any invitations to prequalify or to bid for contracts, the Borrower 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 Procurement Policies. This plan shall be updated every twelve (12) months during Program execution, and submitted to the Bank for its review and approval. Procurement of all goods and works shall be undertaken in accordance with such Procurement Plan, as it 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, each contract for works and goods shall be subject to the Bank's prior review, in accordance with the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Procurement Policies.

SECTION 4.02 **Maintenance of Works.** The Borrower and the Executing Agencies undertake to: (a) ensure that the works and equipment included in the Program shall be adequately maintained according to generally accepted technical standards; and (b) present to the Bank a report on the status of said works and equipment and an annual maintenance plan for that year during the ten (10) years following the completion of the first of the works of the Program and within the first quarter of each calendar year. 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 and the Executing Agencies shall undertake the necessary measures to correct these shortcomings.

SECTION 4.03 Reimbursement of Expenses as of Date of Loan Approval. The Bank may recognize as part of the local contribution expenditures incurred or which may be incurred in the Program on or after November 25, 2008 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 Selection and Contracting of Consulting Services. The selection and contracting of consulting services will be carried out by the Borrower, through the Executing Agencies, 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 Agencies, declares to know and the provisions set forth below.

- (a) Quality- and Cost-Based Selection: Except as otherwise provided in subsection (b) of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Policies, and the provisions of paragraphs 3.16 through 3.20 thereof applicable to quality- and cost-based selection (QCBS) of consultants. The short list of consultants for each contract for services estimated to cost less than two hundred thousand dollars (US\$200,000) equivalent per contract, may compromise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Policies.
- (b) Other Methods of Procurement of Consultant's Services. The following methods, other than QCBS, may be used for the procurement of consultants' services for those services which the Bank agrees meet the requirements set forth in the Consultant Policies for their use: (i) Quality-Based Selection (QBS); (ii) Selection under a Fixed Budget (FBS); (iii) Least-Cost Selection (LCS); (iv) Selection Based on Consultants' Qualifications (CQS); (v) Single Source Selection (SSS); and (vi) Selection of Individual Consultants.
- (c) Review by the Bank of the Selection of Consultants:
 - (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 to the Consultant Policies. This plan shall be updated every twelve (12) months during Program execution, 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, each contract for the acquisition of consulting services will be subject to the Bank's prior

review in accordance with the procedures set forth in paragraphs 2 and 3 of Appendix 1 of the Consultant Policies.

- (d) The consultants shall perform their work in accordance with the terms of reference previously agreed upon, for each of them by the Executing Agencies and the Bank, on the understanding that said terms of reference may be adjusted or expanded during the execution of the Program by mutual agreement between the Executing Agencies and the Bank.
- (e) International consultants shall have to perform their work in an integrated manner with the local professional staff assigned or contracted by the Executing Agencies 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 Compilation of Data and Evaluations. The Borrower, through the Executing Agencies, shall present for the Bank's approval:

- (a) Within a period of twelve (12) months from the effective date of the Contract: (i) the baseline data pertaining to the indicators on the Results Matrix of the Program; and (ii) a description of the procedure that will be followed in compiling and processing the data to be used for the annual comparisons with the initial baseline data to evaluate the results of the execution of the Program.
- (b) Beginning with second year after the effective date of this Contract and annually until the fifth years after the date of the last disbursement of the Financing, the annual comparative data referred to in subsection (a) above.
- (c) At the end of twenty four (24) months from the effective date of this Contract or after fifty per cent (50%) of the Financing has been committed, whichever comes first, an intermediate evaluation report on the results of the Program, in accordance with the guidelines set forth in paragraph 4.08 of the Annex; and
- (d) After ninety per cent (90%) of the Financing has been committed, a final evaluation report on the results of the Program, in accordance with the guidelines set forth in paragraph 4.09 of Annex.

CHAPTER V

Records, Inspections, and Reports

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

(b) The semi-annual progress reports referred on the execution of the Program, which the Borrower shall submit to the Bank in accordance with Article 7.03(a)(i) of the General Conditions, shall include the items described in paragraph 4.07 of the Annex.

SECTION 5.02 Audits. (a) With respect to the provisions of Article 7.03 of the General Conditions, the Borrower undertakes to present, to the satisfaction of the Bank, the financial statements of the Program on an annual basis duly certified by a firm of independent accountants in accordance with Bank policies and procedures.

(b) The cost of the firm referred to in subsection (a) above will be financed with 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 hereunder.

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:

Financial Secretary
Ministry of Finance
Sir Edney Cain Building
Government of Belize
Belmopan, Belize

Facsimile: (501) 822-2886

For matters related to execution of the Project

Mailing address:

Chief Executive Officer
Ministry of Tourism and Civil Aviation
64 Regent Street, PO Box 325
Belize City, Belize

Facsimile: (501) 227-2428

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 Belmopan City, Belize, on the date above written.

BELIZE

INTER-AMERICAN DEVELOPMENT
BANK

/f/ Dean Barrow

/f/ Caroline Clarke

Dean Barrow
Prime Minister and Minister of Finance

Caroline Clarke
Representative to Belize

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 an Adjustable Interest Rate" means the cost to the Bank of the Single Currency Qualified Borrowings with an

Adjustable Interest Rate in the Single Currency of the Financing, expressed as a percentage per annum, as determined by the Bank.

- (h) "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.
- (i) "Executing Agency/Agencies" means the entity/entities responsible for executing all or part of the Project.
- (j) "Financing" means the funds which the Bank has agreed to make available to the Borrower to assist in carrying out the Project.
- (k) "Fraud and corruption" means the act(s) defined in Article 5.02(c) of these General Conditions.
- (l) "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.
- (m) "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.
- (n) "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.
- (o) "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 Telerate Page 3750 as of 11:00 a.m., London time, on the day that is two (2) London Banking Days

¹ Any capitalized terms used in paragraph (o) 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.

preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter. If such rate does not appear on the Telerate Page 3750, 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 Telerate Page 248 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 Telerate Page 248, 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 Telerate Page 3750 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 Telerate Page 3750, 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 Telerate Page 3750 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 Telerate Page 3750, 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.

- (p) "Loan" means the funds disbursed from the Financing.
- (q) "Project" means the Program or Project for which the Financing has been extended.
- (r) "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.
- (s) "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.
- (t) "Semester" means the first or second six months of a calendar year.
- (u) "Single Currency" means any convertible currency which the Bank has selected for lending under the Single Currency Facility.
- (v) "Single Currency Facility" means the facility the Bank has established to lend in certain convertible currencies which the Bank selects from time to time.
- (w) "Single Currency Facility Loan with an Adjustable 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 an Adjustable Interest Rate as determined pursuant to Article 3.04(a) of these General Conditions.
- (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 3.15, 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. Interest shall be charged on the daily outstanding balances of the Loan at an annual rate that shall be determined by the Bank periodically in accordance with its

lending rate policy, and may be one of the following as set forth in the Special Conditions, or in the letter from the Borrower to which reference is made in Article 4.01(g) of these General Conditions, if the Borrower elects to change the interest rate alternative of a Single Currency Facility Loan pursuant to Section 2.03 of the Special Conditions:

- (a) In the case of Single Currency Facility Loans with an Adjustable Interest Rate, interest shall accrue on the daily outstanding balances of the Loan and shall be at a rate per annum for each Semester as determined by the Cost of Single Currency Qualified Borrowings with an Adjustable Interest Rate in the Single Currency of the Financing, plus the prevailing ordinary capital lending spread expressed as a percentage per annum; or
- (b) In the case of Single Currency Facility Loans with a LIBOR-Based Interest Rate, interest shall accrue on the daily outstanding balances of the Loan and shall be at a rate per annum 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(o) 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 net of any costs and/or gains, computed quarterly, associated with any derivatives transactions which may be entered into by the Bank to mitigate the impact of extreme fluctuations in the LIBOR Interest Rate of the borrowings obtained by the Bank to finance the Single Currency Facility Loans with a LIBOR-Based Interest Rate; (iv) 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.
- (c) For the purposes of Article 3.04(b) above:
 - (i) The Borrower and Guarantor of any Single Currency Facility Loan with a LIBOR-Based Interest Rate expressly acknowledge and agree that: (A) the LIBOR Interest Rate referred to in Article 3.04(b)(i) above, and the cost margin of the Bank borrowings referred to in Article 3.04(b)(ii) above, may be subject to significant fluctuations during the life of the Loan and, therefore, the LIBOR-Based Interest Rate alternative for Single Currency Facility loans may involve significant financial risks to the Borrower and the Guarantor; (B) the Bank may, at its sole discretion, enter into any derivatives transactions to mitigate the impact of extreme fluctuations in the LIBOR Interest Rate of the borrowings obtained by the Bank to finance the Single Currency Facility Loans with a LIBOR-Based Interest Rate, as referred to in Article 3.04(b)(iii) above; and (C) 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.

- (ii) 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(b)(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.

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 advance notice in writing to the Bank of at least forty-five (45) days, the Borrower may pay, on one of the interest payment dates indicated in the Special Conditions, any part of the Loan prior to its maturity, provided that on the payment date no sum is owing in respect of fees or interest. Unless otherwise agreed in writing, each partial advance payment shall be applied to unpaid installments of principal in the inverse order of their maturity.

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.
- (g) The Bank shall have received a letter duly signed by the Borrower, with the express written conformity of the Guarantor, if applicable, confirming either its decision to maintain the interest rate alternative originally selected for the Financing as determined in Sections 1.02(b) and 2.02(a) of the Special Conditions, or its decision to elect to change the interest rate alternative of the Financing as determined in Section 2.03 of the Special Conditions of this Loan Contract. In case the Borrower, with the express written conformity of the Guarantor, if applicable, decides to elect to change the interest rate alternative of the Financing, the Borrower shall give written notice to the Bank of such election at least thirty (30) calendar days prior to presentation to the Bank of the request for the first disbursement of the Financing. For purposes of this notification, the Borrower shall use the form letter required by the Bank. Under no circumstances may such option be elected at any point in time which is later than thirty (30) calendar days prior to the presentation of the request for the first disbursement of the Financing.

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 Republic 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.

ANNEX

THE PROGRAM

Sustainable Tourism Program

I. Objective

- 1.01** The Program's goal is to increase the contribution of tourism to national economic growth in a manner that is environmentally and socially responsible. Its purpose is to support the consolidation of the overnight tourism market in light of its potential to optimize the sector's contribution to the Belizean economy. Its objectives are to: (a) support the improvement, restoration and diversification of overnight destinations and their products; and (b) strengthen national and local capacity for sector policy, destination planning and management.

II. Description

- 2.01** In order to attain the objectives described above, the Program consists of the following components:

Component 1: Investments in overnight tourism destinations

- 2.02** This component will finance studies, final designs and investments in civil works and equipment aimed at improving the quality of the tourism natural and cultural products at consolidated destinations in line with Destination Management Plans (DMPs). The Program's resources will be directed at the following destinations within the framework of the DMPs:

(A) San Ignacio and surroundings:

- 2.03** The activities and investments to be financed include: (a) the establishment of a regional welcome center to provide information on tourism services, activities and attractions in Cayo District, enabling visitors and local residents to better understand the area heritage; (b) improvement of road access and visitor facilities at the Cahal Pech Heritage and Nature Park; (c) the development of the San Ignacio Town Center Urban Design Strategy; and (d) improvements in visitor facilities at Actun Tunichil Mukmal.

(B) Ambergris Caye:

- 2.04** The activities and investments to be financed include: (a) the development of a Physical Tourism Development Plan for Ambergris Caye (to be formulated as part of the Belize Tourism Master Plan process); (b) waterfront improvements in San Pedro, provided what is established in Section 4.01(c)(iii) of the Special Conditions; and (c) support for Park management activities and visitor facilities for the Bacalar Chico National Park/Marine Reserve.

(C) Placencia peninsula and village

- 2.05** The investments to be financed by the Program cover development of a small pier and plaza to consolidate public maritime services in a single location. The proposal also includes technical assistance for: (a) a pilot program for gaining 'Blue Flag' eco-labeling status in water quality, environmental education and information and for the adherence to international safety standards; and (b) development of a disaster risk management plan for the peninsula with a view to avoiding damages associated with flooding and breaching of access routes.

(D) Belize City

- 2.06** The investments to be financed by the Program include: (a) a waterfront development strategy; and (b) the physical improvement of the Fort George Area and pedestrian link between the Tourism Village and the town center as a catalyst for tourism-related urban regeneration.

Component 2: Institutional strengthening and capacity building for policy, destination planning and management

- 2.07** The Program will finance the following institutional strengthening activities: (a) the preparation of a National Tourism Master Plan for the entire sector that will provide for the zoning approach proposed by the Government and translate sustainability objectives into actions, an assessment of options for implementing the new Tourism Development Strategy and a Responsible Tourism Policy; (b) technical assistance on the economic aspects of tourism, with particular emphasis on the development of policy options for increasing fees and taxes, and the design of revenue sharing mechanisms administered by the government agencies responsible for the management of the tourism attractions and the national treasury; (c) establishment of a Tourism Satellite Account in collaboration with the Statistics Institute of Belize; (d) the development of an updated country branding strategy; and (e) training and development of tools for physical planning, environmental and visitor management. Capacity building activities include: (a) support to communities in promoting tourist access to the Maya and Garifuna cultures in the emerging destinations of Punta Gorda and Dangriga/Hopkins; and (b) a matching grant facility for micro- and small businesses helping strengthen value chains for tourism, offset the costs of complying with existing industry standards, including sustainable tourism criteria.

III. Total Cost of the Program and Financing Plan

- 3.01** The estimated cost of the Program is the equivalent of fourteen million four hundred eighty two thousand dollars (US\$14,482,000), in accordance with the following investment categories and sources of financing:

Cost and Financing

Category	IDB/OC	Local	Total	%
1. Administration and supervision¹	\$735,000	\$298,000	\$1,033,000	7%
2. Direct Costs				
2.1 Component 1	\$10,317,000	\$800,000	\$11,117,000	76%
2.2 Component 2	\$2,141,000	\$262,000	\$2,403,000	16%
3. Audit/evaluations	\$129,000		\$129,000	1%
Total	\$13,322,000	\$1,360,000	\$14,682,000	100%
Percentage by source of financing	90.7%	9.3%	100%	

IV. Execution

- 4.01** The MTCA will provide general oversight, ensure ongoing integration with the Government's economic and social policies and plans, and coordinate among government departments involved with the sector, including informing the National Tourism Advisory Council.
- 4.02** The BTB will be charged with the procurement, financial administration and day-to-day technical supervision of the Program and will provide the counterpart resources needed for the Program.
- 4.03** The BTB will be responsible for the establishment of the Program Coordination Unit (PCU) within its organizational structure. The PCU will be headed by a Project Director, with demonstrated experience in sustainable tourism and management, and should be staffed as a minimum by the following officers: (i) a Financial and Procurement Specialist; (ii) a Tourism Specialist; and (iii) Physical/environmental Planner. The PCU will have the following responsibilities during program implementation: (a) prepare and obtain Bank approval for all bidding documents required to hire the civil work contractors and consulting firms; (b) carry out, control and register all administrative and accounting procedures needed; (c) coordinate the bidding processes according to the Bank and Government of Belize rules; (d) monitor the works and construction contracts through consulting firms specifically hired to that effect; (e) maintain adequate accounting and financial controls as well as appropriate support documentation filing systems for verification by the Bank and the external auditing firm; (f) prepare and submit to the Bank disbursement requests and corresponding justification of expenses; (g) prepare and submit to the Bank semiannual reports on the revolving fund,

¹ Includes salaries, equipment and operating costs of the Project Coordination Unit.

program execution including annual updates of the Annual Plan of Operations (APO), audited financial reports, and other financial reports as required by the Bank; (h) record and control the results of the Program through the agreed indicators; and (i) address and resolve contractor claims and address related contract adjustments. In addition, the PCU will maintain separate files for the operations of the Program, and allow for financial and accounting monitoring of the Bank resources, and the local counterpart, in accordance with Bank requirements.

- 4.04** The participating agencies, referred to in Section 4.01(c) (ii) of the Special Conditions will cooperate with the BTB in the subsequent operation and maintenance of the facilities financed by the Program. In cases where the civil works are within the legal jurisdiction of a city or town, the BTB and the municipal bodies or any other appropriate entity will enter into agreements to delegate to BTB the function of procurement of the works and to agree on the transferring of those works to the city or town or to the appropriate entity once completed for operation and maintenance. Depending on the type of civil works, the Ministry of Works will need to be a party to the agreements. In the case of civil works located in villages, the agreement would be signed between BTB and the Ministry of Works and the Ministry of Local Government, when needed. Civil works included in natural parks and archaeological sites will require agreements with the Ministry of Natural Resources and NICH. In general, participating agencies will be responsible for clearing terms of reference for studies and final designs of works within their jurisdictions, monitoring the work of the supervision firm during construction, clearing and accepting completed works and operation and maintenance.
- 4.05** The Program Operating Manual (POM), referred in Section 3.02 of the Special Conditions will guide execution, setting out the responsibilities, norms and procedures for the Executing Agencies and participating agencies for programming activities, preparing APOs as well as procedures for the environmental, economic and financial analysis of investments by type, record-keeping and reporting and the procedures for the small grants facility.
- 4.06** The sub-committee of the National Tourism Advisory Council, referred to Section 3.02 of the Special Conditions will be responsible for overall strategic guidance and stakeholder participation in the Program. The sub-committee will be responsible for approving the POM, vetting and disseminating the APO and results of the Program, recommending adjustments in targets and monitoring overall performance. The sub-committee will be comprised of the following members: the MTCA, the Department of the Environment, NICH, the President of the BTIA, the Director of Tourism from the BTB, the Ministry of Works and the Ministry of Economic Development.
- 4.07** The semi-annual progress reports, referred to in Section 5.01 of the Special Conditions, shall include: (i) the Program's financial performance; (ii) a breakdown of projects completed and findings on the maintenance of the civil works; (iii) findings of monitoring of environmental impacts and implementation of mitigation measures; and (iv) an analysis of problems encountered and steps taken to resolve them.
- 4.08** The mid-term evaluation, referred to in Section 4.05(c) shall focus on: (i) level of progress in attaining the Program's objectives based on the indicators in the Results Matrix; (ii) the

degree of effectiveness in complying to the POM; (iii) degree of compliance with environmental specifications for civil works as established in applicable regulations; and (iv) degree of effectiveness of the internal and the Bank's monitoring and supervision system.

- 4.09** The final evaluation, referred to in Section 4.05(d) shall assess: (i) degree of attainment of Program objectives in relation to plans and reasons for any variances; (ii) effectiveness of the organization and arrangements established for Program execution; (iii) sustainability of the activities funded under the Program; and (iv) lessons learned that could be applied to future projects in this sector. The results of this final evaluation will be made available through the BTB's website and used for the Program completion report to be prepared by the Bank.