

Loan No. 440/SF-BA
Resolution DE-167/75

LOAN CONTRACT

between

BARBADOS

and the

INTER-AMERICAN DEVELOPMENT BANK
(Sewerage System for Bridgetown)

April 8, 1976

LOAN CONTRACT

CONTRACT entered into on April 8, 1976, between BARBADOS hereinafter called the "Borrower") of the one part and the INTER-AMERICAN DEVELOPMENT BANK (hereinafter called the "Bank") of the other part, whereby it is agreed as follows:

ARTICLE I

The Loan and its Purpose

Section 1.01. Amount. Subject to the terms and conditions set forth herein, the Bank agrees to grant to the Borrower, and the Borrower agrees to accept, a loan chargeable to the Bank's Fund for Special Operations, of up to the amount of nine million seven hundred thousand United States dollars (US\$9,700,000), or the equivalent thereof in other currencies forming part of said Fund. The amount disbursed hereunder shall hereinafter be called the "Loan".

Section 1.02. Purpose. The purpose of this Loan is to participate in the partial financing of a Project for the construction of a sewerage system for the central area of the city of Bridgetown (hereinafter referred to as the "Project"). The Project is described in more detail in Annex B, hereto, which annex is an integral part of this Contract.

Section 1.03. Executing Agency. The execution of the Project shall be carried out by the Ministry of Health and Welfare (hereinafter referred to as the "Ministry"), through the Project Execution Unit referred to in Section 3.01(a)(i) hereof.

ARTICLE II

Amortisation, Interest and Commitment Fee

Section 2.01. Amortisation. The Borrower shall repay the Loan in fifty-four (54) consecutive, semiannual and as far as possible equal installments, calculated in terms of United States dollars, the first of which shall be made on October 9, 1984, and the last of which on April 9, 2011. The Bank, prior to the date established herein for the payment of the first installment, shall send the Borrower an amortisation schedule, setting forth the dates for payment of all other amortisation installments and the currency or currencies which, pursuant to Section 2.05(c) hereof, shall be utilised for each of such installments. Such amortisation schedule may be modified, if required, pursuant to the provisions of Section 3.11.

Section 2.02. Interest. The Borrower, following the provisions of Section 2.05(c), shall pay interest semiannually on the outstanding balance of the Loan at the rate of 2% per annum, which shall accrue from the date of each respective disbursement. Interest shall be payable semiannually on April 9 and October 9 of each year, beginning on October 9, 1976. At the request of the Borrower the resources of the Loan may be used to pay the interest on the Loan during the period of its disbursement.

Section 2.03. Credit Fee. (a) The Borrower shall also pay a credit fee of $\frac{1}{2}$ of 1% per annum on the undisbursed balance of the amount set forth in Section 5.04(a)(i) hereof, which fee shall begin to accrue on the date on which the Bank makes its first disbursement for the Project, other than for inspection and supervision pursuant to Section 6.02, or on October 9, 1976, whichever first occurs.

(b) This fee shall be paid in United States dollars on the same dates as specified for the payment of interest.

(c) This fee shall cease to accrue in full or in part, as the case may be, as soon as: (i) all disbursements have been made; (ii) the Contract has been cancelled in full or in part pursuant to Sections 3.08, 3.09 or 3.10; or (iii) disbursements have been suspended pursuant to Section 4.01.

Section 2.04. Computation of Interest and Credit Fee. Computation of interest and credit fee for less than a full six-month period shall be made on a per day basis using a factor of three hundred and sixty-five (365) days per annum.

Section 2.05. Obligations Relating to Currencies.

(a) Amounts disbursed by the Bank shall be applied, on the date on which the respective disbursement is made, against the sum set forth in Section 1.01, in its equivalent in United States of America dollars.

(b) The Borrower shall owe, in the respective currencies disbursed, as of the date on which the disbursement is made, amounts equal to: (i) the sums disbursed in Venezuelan bolivars, Canadian dollars, or United States of America dollars, or in any other of the currencies which form part of the Fund for Special Operations, in respect to which the Bank has informed the Borrower that such currencies may be considered to be freely convertible; and (ii) the equivalent in United States of America dollars of the sums disbursed in other currencies not included in the foregoing subparagraph (i), which form part of the Fund for Special Operations.

(c) The Borrower shall pay, on the respective due dates set forth in this Contract, and in proportion to the respective currencies disbursed, amortisation and interest on: (i) the amounts disbursed in the currencies referred to in subparagraph (b)(i) above; and (ii) the amounts in equivalent in United States of America dollars of the sums disbursed in the currencies referred to in subparagraph (b)(ii) above.

Section 2.06. Rate of Exchange. (a) For the purposes set forth in Section 2.05(a) and (b)(ii) above, the equivalent of other currencies in relation to the United States dollar shall be calculated, on the date on which the respective disbursement is made, on the basis of the exchange rate agreed upon with the respective issuing member country for the purpose of maintaining the value of that country's currency held by the Bank, in accordance with Section 3 of Article V of the Agreement Establishing the Bank.

(b) For the purposes of any payment to the Bank pursuant to Section 2.05(c)(ii):

- (1) The equivalent of the other currencies in relation to the United States dollar shall be calculated, on the date of payment, in accordance with the rate of exchange referred to in paragraph (a) of this Section.
- (2) Should there be no agreement in force between the Bank and the corresponding member country with respect to the rate of exchange to be applied for the purpose of maintaining the value of the respective currency held by the Bank, the latter shall have the right to require that the rate of exchange to be applied on the due date, shall be that which is utilised by the monetary authority of the respective issuing country to sell United States dollars to residents of such country, other than government agencies, for the following transactions: (i) payments of principal and interest due; (ii) transfers of dividends or other income from capital investments in the respective country; and (iii) transfers of investment capital. In the event 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 United States dollar.

- (3) 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 in effect within the thirty (30) days preceding the respective due date.
- (4) 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 reasonable determination of the Bank shall be controlling, taking into consideration the realities of the foreign exchange market of the country concerned.
- (5) If, due to the non-compliance with the foregoing rules, the Bank considers that any payment made in the respective currency has been insufficient, it shall so advise the Borrower immediately, and the Borrower shall make good the difference within a period of thirty (30) days of the date of receipt of such notification. If, on the other hand, it appears that the sum received by the Bank is higher than that due, it shall return the excess amount within a period no greater than thirty (30) days of the receipt thereof.

(c) For the purposes of determining the equivalent in United States dollars of expenses incurred in the currency of the Borrower, the rate of exchange established in subparagraph (a) above which is in effect on the date on which time such expense was incurred, shall be utilised.

Section 2.07. Participations. The Bank may cede to other public or private institutions, in the form of participations and to the extent it may deem proper, the rights corresponding to the Borrower's pecuniary obligations derived from this Contract. The Bank shall inform the Borrower, however, of any participations it may have so ceded.

Section 2.08. Place of Payments. All payments shall be made at the principal office of the Bank in Washington, D.C., U.S.A., unless the Bank designates another place or places for this purpose.

Section 2.09. Receipt and Promissory Notes. During the life of this Contract, particularly at the conclusion of the period of disbursements, the Borrower, at the request of the Bank, shall sign and deliver to the Bank a receipt or receipts for the amounts theretofore disbursed. The Borrower shall also sign and deliver to the Bank such promissory notes or other negotiable instruments representing the Borrower's obligation to repay the Loan with the interest and credit fee agreed upon herein, as the Bank, from time to time, may require. Such documents shall be in the form prescribed by the Bank taking into account, however, applicable legal provisions in Barbados.

Section 2.10. Application of Payments. All payments shall be applied first to the payment of credit fee and interest due, in that order, and the balance, if any, to installments of principal due.

Section 2.11. Advance Payments. Upon advance notice of at least forty-five (45) days, the Borrower may prepay any part of the Loan principal prior to its maturity, provided that no sum is owing in respect of interest or credit fee. Unless otherwise agreed in writing, such advance payments shall be applied to unpaid installments of principal in the inverse order of their maturity.

Section 2.12. Payments Falling Due on Public Holidays. Any payment or other transaction which is to be performed under this Contract and which falls due on a Saturday or a public holiday according to the law of the place where such payment or transaction is to be effected, shall be considered valid if carried out the first business day thereafter and in such case no penalty or surcharge shall apply.

ARTICLE III

Conditions Precedent to and Other Regulations Concerning Disbursements

Section 3.01. Conditions Precedent to First Disbursement. The Bank shall not be obliged to make the first disbursement until the following requirements have been complied with to its entire satisfaction:

(a) The Bank shall have received one or more legal opinions establishing that: (i) the Borrower has complied with all the necessary requirements under the Constitution, laws and regulations of Barbados in order to enter into this Contract, or that, in case any requirement was not fulfilled, the respective instrument has been ratified, as appropriate; and, (ii) the

obligations contracted by the Borrower in this Contract are valid and enforceable. Such opinions shall also provide any other legal information that the Bank may deem relevant.

(b) The Bank shall have received proof that the person or persons signing this Contract on behalf of the Borrower have been properly authorised to do so, or conversely proof that this document has been validly ratified.

(c) The Borrower, through the Ministry, shall have designated one or more officials to represent it in all acts relating to the implementation of the Project and shall have furnished the Bank with authentic copies of the signatures of said representatives. Should two or more officials be designated, the Borrower shall indicate to the Bank whether such officials may act jointly or separately.

(d) The Borrower, through the Ministry, shall have presented a detailed investment schedule showing sources and applications of funds.

(e) The Borrower, through the Ministry, shall have presented to the Bank: (i) an initial report prepared in the form indicated by the Bank, which shall serve as the basis for the preparation and evaluation of subsequent progress reports referred to in Section 6.03. 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 a plan for the execution of work during the first year of the Project, as well as the plans, specifications, schedule of work as the Bank may deem necessary, and (ii) the plan, catalogue or code of accounts which it proposes to utilise to record transactions under the Project, as well as with the other resources required for the complete execution of the Project.

(f) The Bank shall have received proof that in conformity with the laws of Barbados the Borrower has assigned in the National Estimates the necessary resources to finance at least the first year of the national contribution to the Project in accordance with the investment schedule referred to in Section 3.01(d).

(g) The Borrower, through the Ministry, shall have presented to the Bank evidence that: (i) the Project Execution Unit created within the Ministry to administer the Project has commenced to operate with the necessary qualified and experienced personnel acceptable to the Bank; (ii) a consulting engineering firm acceptable to the Bank has been contracted to assist in the supervision of the Project in accordance with the procedures established in Section 5.16; (iii) a program and schedule, in accordance with the draft previously approved by the Bank,

shall have been adopted for the relocation of those people who will be displaced as result of construction under the Project, including adequate provision for the financing of dwellings necessary for the relocation of such persons.

(h) The name of the firm of chartered accountants referred to in Section 6.03 (b) hereof, shall have been presented to the Bank and approved by it.

Section 3.02. Conditions Precedent to All Disbursements. All disbursements, including the first, shall be subject to the following requisites:

(a) The Borrower shall have submitted a written disbursement application and, in support thereof, shall have supplied the Bank with such documents and other background materials as the latter may reasonably require. The disbursement application and accompanying documentation shall show, to the entire satisfaction of the Bank, that the Borrower is entitled to receive the amount requested and that such amount will be used exclusively for the purposes of this Contract.

(b) None of the circumstances described in Section 4.01 shall have occurred.

Section 3.03. Disbursements for Inspection and Supervision. The Bank may effect the disbursements which are allocated for inspection and supervision as set forth in Section 6.02(c), only after the Loan has been declared eligible for disbursements pursuant to Section 3.01 hereof.

Section 3.04. Disbursement Procedures. The Bank may make disbursements against the amount set forth in Section 1.01 by: (a) transferring directly to the Borrower the sums to which it is entitled under the terms of this Contract; (b) making payments on behalf of and in agreement with the Borrower to other banking institutions; (c) constituting or replenishing the revolving fund referred to in Section 3.05; and (d) utilising such other methods as the parties may agree upon in writing. Any banking expense that may be charged by a third party in connection with disbursements shall be borne by the Borrower. Unless the parties otherwise agree, disbursements shall be made in amounts of not less than the equivalent of twenty-five thousand United States of America dollars (US\$25,000) each.

Section 3.05. Revolving Fund. As part of the Loan, and upon compliance with the requirements set forth in Sections 3.01 and 3.02, the Bank may, from the amount referred to in Section 1.01, establish a revolving fund in such amounts as it may deem appropriate, but which shall not exceed nine hundred and seventy thousand United States of America dollars

(US\$970,000) or the equivalent thereof, which may be utilised to defray the costs pertaining to the execution of the Project. Upon request, the Bank may replenish this fund entirely or in part as the resources are used, provided that the requirements of Sections 3.02, and 3.06 when applicable, are fulfilled. For all purposes of this Contract, the establishment and replenishment of the revolving fund shall be considered as disbursements.

Section 3.06. Special Letters of Credit. The Bank and the Borrower agree that disbursements of United States dollars to be utilised for the payment of the indirect foreign exchange costs referred to in Annex B hereof, shall be effected by means of the procedures set forth in the General Agreement for the Use of Special Letters of Credit in United States dollars entered into between the Bank and the Central Bank of Barbados, a copy of which is set forth as Annex C, which Annex is an integral part of this Contract.

Section 3.07. Expenses in Local Currencies. In order to determine the equivalence in United States dollars of an amount in Barbados dollars utilised to cover local expenses, the exchange rate to be applied shall be that rate effective on the date the respective local expenses are incurred. Such exchange rate shall be calculated in the manner prescribed by Section 2.06(a), or such other rate of exchange as may be agreed upon between the Bank and the Borrower shall be utilised.

Section 3.08. Period for Requesting First Disbursement. If by October 9, 1976, or such later date as the parties may agree upon in writing, a request for disbursement has not been submitted to the Bank pursuant to the provisions of Sections 3.01 and 3.02, the Bank may terminate the Contract upon notice to the Borrower. Disbursements made by the Bank pursuant to Section 6.02(c) shall not be considered as involving applications for disbursements in satisfaction of this Section.

Section 3.09. Final Period for Disbursements. The sums referred to in Section 1.01 may be disbursed up to April 9, 1980. Unless the parties agree in writing to extend this period the Contract shall be considered cancelled in respect to any part of such sum not disbursed within the said period or any extension thereof.

Section 3.10. Waiver of Part of Loan. The Borrower upon written notification to the Bank, may waive its rights to receive any part of the sum set forth in Section 1.01 that has not been disbursed prior to receipt of such notification, provided that this right shall not apply to any funds as to which any of the circumstances specified in Section 4.03 has occurred.

Section 3.11. Adjustment of Amortisation Installments.

(a) If, pursuant to the provisions of Sections 3.09 and 3.10, the Borrower's right to receive any part of the sum set forth in Section 1.01 should be terminated, the Bank shall make a proportional adjustment in the amortisation installment schedule referred to in Section 2.01.

(b) This adjustment shall not affect any part of an amortisation installment with regard to which the Bank may have granted participations pursuant to Section 2.07 on the assumption that the Borrower would utilise the entire Loan. Repayment of the outstanding balance of the Loan in excess of the amount for which the Bank may have contracted participations shall be made in as many equal and consecutive semiannual installments as may be necessary to maintain unchanged the number of installments specified in Section 2.01.

Section 3.12. Disbursements in Currencies of Certain Member Countries. The Bank and the Borrower agree that, whenever disbursements have been made in currencies of Argentina, Brazil, Mexico and/or Venezuela for the payment of manufactured or semi-manufactured goods, or for technical services originating in such countries, or whenever the commitment to make such disbursements for these goods or services has been established pursuant to the provisions of Section 5.04(e) hereof, additional disbursements may be made in the respective currency in a sum equal to 50% of the amount disbursed or committed. Such additional amounts disbursed shall be utilised for the payment of goods or services originating in Barbados provided that the monetary authorities of the country of issuance of the respective currency and of Barbados have entered into an agreement, adopting procedures satisfactory to the Bank, which guarantee that the respective currency disbursed will not be converted into any other currency.

Section 3.13. Availability of Currency. The Bank shall only be obliged to make disbursements in Barbados dollars to the extent that it has received the necessary sums in such currency from the Bank's respective depository.

ARTICLE IV

Nonfulfillment of the Borrower's Obligations

Section 4.01. Suspension of Disbursements. The Bank, by notifying the Borrower, may suspend disbursements if any of the following circumstances occurs and may maintain the suspension during the time any of such circumstances continues:

(a) Delay in the payment of any sums owed by the Borrower for principal, interest and credit fee, or for any other charge under this or any other contract entered into between the Bank and the Borrower.

(b) Nonfulfillment by the Borrower of any other obligation set forth in this Contract.

(c) Withdrawal or suspension of Barbados from membership in the Bank.

(d) Any modification in the purpose, nature or objectives of the Project Execution Unit and, subsequent to its creation, the Statutory Authority referred to in Section 5.08(a), which may have an unfavorable effect on the Project or on the purposes for which this Contract was entered into. If the Bank believes that the above situation has occurred it shall transmit its observations to the Borrower so that the latter may furnish, within a reasonable time, whatever clarifications or comments may be appropriate or proof of having taken measures necessary to correct the situation. The Bank shall be entitled to exercise its right to suspend disbursements only if it is not satisfied with the clarifications or comments, or with the measures taken by the Borrower to correct the situation.

Section 4.02. Advance Maturity. If any of the circumstances set forth in paragraphs (a), (b) and (c) of the preceding Section continues for more than sixty (60) days, or if the information referred to in paragraph (d), or the clarification or additional information requested from the Borrower is not satisfactory, the Bank at any time may terminate this Contract with respect to any part of the amount set forth in Section 1.01 not at that time disbursed, and shall be entitled to declare immediately due and payable the entire Loan or any part of it together with interest and credit fee accrued up to the date of demand for payment. Interest shall continue to accrue until payment in full of the outstanding balance of the Loan is made and shall be payable with such payment.

Section 4.03. Obligations not Affected. Notwithstanding the provisions of Sections 4.01 and 4.02, none of the measures set forth in this Article shall affect (a) any amounts subject to a guarantee of an irrevocable letter of credit, and (b) amounts paid or committed prior to the date of suspension which were authorised in writing by the Bank and in respect to which contracts have been signed or orders previously placed.

Section 4.04. Nonwaiver of Rights. Any delay in the exercise of the Bank's rights provided by this Article, or failure to exercise them, shall not be construed as a waiver by the Bank of any such rights nor as acquiescence in the circumstances that would have empowered it to exercise them.

Section 4.05. Provisions not Affected. Applications of any of the measures provided for by this Article shall not affect the obligations of the Borrower set forth in this Contract, all of which shall remain in full force and effect, except that if the Bank should declare the entire Loan due and payable, the Borrower shall be required to comply only with its pecuniary obligations derived from this Contract.

ARTICLE V

Execution of the Project

Section 5.01. Execution of the Project. (a) The execution of the Project and the utilisation of the Loan shall be undertaken by the Ministry, through the Project Execution Unit.

(b) The Borrower undertakes to ensure that the Project will be executed with all due diligence in conformity with sound financial, administrative, and engineering practices, and in accordance with the investment and work schedules and budgets submitted to and approved by the Bank as well as to other pertinent provisions of this Contract.

(c) Any substantial modification in the investment and work schedules and budgets of the Project, as well as any change in the list of services, or in the contract or contracts for consulting services entered into in connection with the Project, shall require the written authorisation of the Bank.

Section 5.02. Prices and Bidding. (a) Contracts for construction and for the supply of services as well as all procurement of goods for the Project shall be undertaken at a reasonable cost which will generally be the lowest market price, taking into account, quality, delivery and any other pertinent factors.

(b) In the acquisition of machinery, equipment and other materials for the Project, and in awarding contracts for construction and other works, the system of international public tender shall be utilised in each case in which the value of such acquisitions or contracts exceeds the equivalent of twenty-five thousand United States dollars (US\$25,000) pursuant to the provisions of the Tender Regulations set forth in Annex D hereof, which Annex is an integral part of this Contract.

(c) Notwithstanding the provisions of subparagraph (b) above, the Bank may authorise, upon request by the Borrower, that certain works for the Project be carried out by force account for up to the equivalent of eight hundred thousand United States dollars (US\$800,000). Such requests shall be accompanied by a document in which the Borrower demonstrates that based on the particular characteristics of the works and the existence of available construction capacity in Barbados it would be more convenient for the efficient execution of the Project to proceed in this manner.

Section 5.03. Conditions Precedent to Invitation for Tender for the Execution of Specific Works. Prior to the invitation to tender for the execution of specific works, the Borrower shall have presented to the Bank:

(a) Evidence that the necessary easements have been obtained, and the land where specific works are executed has been acquired and is free of any legal encumbrance and that the relocation program referred to in Section 3.01(g) has been fully implemented; and

(b) The final plans, specifications and the budget of the works to be undertaken.

Section 5.04. Currencies and Use of Funds. (a) Of the amount set forth in Section 1.01: (i) up to nine million five hundred thousand United States dollars (US\$9,500,000) or the equivalent thereof in other currencies of the Fund for Special Operations (except that of Barbados) shall be utilised for the payment of goods and services acquired through international competition and for such other purposes as are indicated in this Contract; and (ii) up to the equivalent of two hundred thousand United States dollars (US\$200,000) in Barbados dollars shall be utilised to cover local expenses.

(b) The currencies disbursed as part of the Loan may be used for the payment of goods and services originating in any member country of the Bank, unless the respective member country has restricted the use of its currency in accordance with Section 1(c) of Article V of the Agreement Establishing the Bank.

(c) Any United States of America or Canadian dollars which may be disbursed as part of the Loan, may be used only for the payment of goods and services originating in either of these two countries, respectively, or in Barbados. However, the Bank may accept the use of such dollars for the acquisition of goods or the contracting of services originating in other member countries of the Bank if it can be demonstrated that

such utilisation is advantageous to the Borrower. It will be presumed that such utilisation will be advantageous to the Borrower, if the goods or services in question were acquired through the utilisation of international public tender procedures.

(d) Any Venezuelan bolivars which may be disbursed as part of the Loan may only be utilised for the payment of goods and services originating in any of the following categories of countries: (i) the member countries of the Bank; (ii) relatively less developed countries members of the International Monetary Fund; or (iii) developed countries which on the date of the invitation to tender (or on the date of signing the document for the acquisition of goods or of the contracting of services when public tenders procedures need not be followed), have been declared eligible for this purpose by the Bank.

(e) If the Borrower should have to make payments in Argentina, Brazil, Colombia, Chile, Ecuador and/or Mexico, for goods and services originating in any of these countries, respectively, the Bank shall make disbursements, preferably in the currency of the corresponding country, in the equivalent in United States dollars.

(f) Any goods or services not originating in or coming from Barbados which it might be necessary to purchase or contract for the execution of the Project, shall be financed with the currencies referred to in subparagraph (a)(i) above. Consequently, the Borrower may not utilise the national resources in addition to the Loan referred to in Section 5.07 except for minor purchases in the local market for acquisitions or the contracting of services not originating in Barbados, before having assigned, committed or utilised for such purposes the afore-mentioned currencies.

(g) All goods acquired with the resources of the Loan shall be used exclusively for purposes relating to the execution of the Project. The express agreement of the parties hereto shall be required in case the Borrower should desire to utilise such goods for other purposes.

Section 5.05. Transportation of Goods. At least fifty per cent (50%) of the gross tonnage of the equipment, materials, and goods the purchase of which is financed with the United States dollars of the Loan and which require transportation by sea, shall be carried in privately owned merchant vessels of United States registry, provided that such ships are available at rates which are fair and reasonable for merchant ships of United States registry.

Section 5.06. Cost of the Project. The Loan shall be used for the partial financing of the Project, the total cost of which is estimated at not less than the equivalent of thirteen million six hundred and twenty-two thousand United States of America dollars (US\$13,622,000) and in no case shall the participation of the resources of the Loan exceed 71.2% of the total cost of the Project.

Section 5.07. Additional Resources. The Borrower undertakes to contribute in a timely manner such national resources in addition to the Loan as may be necessary for the complete and uninterrupted execution of the Project. The amount of these additional resources is estimated to be not less than the equivalent of three million nine hundred and twenty-two thousand United States of America dollars (US\$3,922,000). This estimate, however, shall not imply any limitation or reduction of the obligation of the Borrower to supply such additional resources as may be required under this Section. Therefore, if during the disbursement of the sum set forth in Section 1.01 an increase in the estimated cost of the Project is indicated, the investment schedule referred to in Section 3.01(d) of this Contract shall, at the request of the Bank, be modified to increase the additional resources to the requisite level. The rules set forth in Section 2.06(c) shall be utilised to calculate the equivalents in United States of America dollars.

Section 5.08. Creation and Administration of a Statutory Authority. The Borrower shall within the periods set forth below, undertake the following obligations:

(a) Within 30 months of the date of this Contract, present evidence to the Bank that an Authority has been legally created as an administratively and financially autonomous entity which shall have under its jurisdiction the production and distribution of potable water in Barbados, as well as the administration of the sewerage system financed under the Project upon the completion thereof, and any other sewerage system that may in the future be constructed in Barbados, in accordance with the recommendations of the consultants contracted for such purpose pursuant to the provisions of Technical Cooperation Agreement No. ATN/SF-1398 of even date, or such other recommendations as may be agreed to between the Bank and the Borrower.

(b) Within 45 months of the date of this Contract, present evidence to the Bank that: (1) the Authority is fully operating the water system of Barbados and that such system has been transferred as a capital contribution by the Borrower to the Authority; and (2) that it has provided

(c) Within 120 days of the completion of the Project, present evidence to the Bank that the staff of the Project Execution Unit has been merged into the Authority and that the ownership of the sewerage system has been transferred by the Borrower to the Authority as a capital contribution to the latter.

Section 5.10. Operating Deficits. The Borrower shall cover operating deficits, if any, incurred by the Authority in the operation of either the water supply or sewerage systems.

Section 5.12 Limitation on Additional Investment. The Borrower agrees that for a period of 8 years from creation of the Authority, approval of the Bank shall be obtained prior to the Authority: (i) incurring any long-term liability; or (ii) acquiring any fixed assets, undertaking any other expansion or improvement project, or making any distribution of earnings or any accumulated surplus, if the aggregate cost of such acquisition, project, or distribution, exceeds the equivalent of US\$500,000. The Bank shall indicate its agreement or disagreement within 30 working days from the date of receipt at Bank headquarters of the request for agreement, accompanied by documents justifying such

request. If the Bank is not in agreement with the request, it shall in its reply indicate in detail the reason for such opinion. If the Bank does not reply within 30 days, the request shall be considered approved.

Section 5.13. Fund for the Financing of In-house Installations. The Borrower shall take the necessary measures to establish, with the national resources referred to in Section 5.09, a Fund in the amount of not less than the equivalent of US\$300,000, for loans and grants to low income families for the financing of in-house installations, and shall, within 36 months of the date of the Contract present to the Bank proposed regulations for the utilisation of such Fund. These regulations shall include the obligation of the Borrower to maintain the Fund, utilising the amounts repaid from these loans, or from contributions by the Borrower, at not less than the equivalent of US\$100,000 per year for 10 years from the date of the Contract.

Section 5.14. Maintenance of the Sewerage System. During the first 90 days of each calendar year beginning with the calendar year in which the system financed by this Loan is completed and for at least the first 10 years of operation of such sewerage system the Borrower shall present to the Bank, through the Authority:

- (a) an annual maintenance plan for the system which shall include details of the internal organization proposed to implement such plan, as well as the personnel and budget resources to be assigned thereto; and
- (b) a report covering the previous year which shall contain details regarding the operation and maintenance of the system, including information regarding the quality control of the effluent from the treatment plant. The report shall also include the measures proposed to be adopted by the Authority to correct any deficiency which may be found in the system's operation.

Section 5.15. Manuals, Regulations and Collection of Accounts. The Borrower shall present to the Bank for its approval, within 36 months from the date of the Loan Contract:

- (a) the manuals and procedures which the Authority proposes to utilise for the operation and maintenance of the sewerage system;

- (b) the regulations proposed to be adopted for the proper utilisation of the system, which shall include the obligation of owners of the buildings located in front of the sewer system to connect to such system and which either shall require all ships in the Bridgetown harbor to discharge liquid and solid wastes by connection to the sewerage system or which otherwise prohibits the discharge of such wastes in the territorial waters of Barbados; and
- (c) a plan for the collection of accounts relating to the supply of water which are more than 90 days past due.

Section 5.16. Procedures for Selection and Contracting of Consulting Firms. The Borrower, through the Ministry, shall select and contract a consulting engineering firm or firms to undertake the engineering services set forth in Section 3.01(g), in accordance with the following procedures:

(a) The Borrower, through the Ministry, shall submit in advance for the approval of the Bank: (i) the procedure to be employed in selecting the firm or firms; (ii) the terms of reference (specifications) describing the work to be done by such firm or firms; and (iii) the list of firms which the Ministry intends to invite to present proposals.

(b) Once the Bank has approved the foregoing requisites, the Ministry shall request from at least three of the firms acceptable to the Bank unpriced proposals describing how each firm intends to carry out the work and the personnel to be assigned to its execution. The Ministry shall select the firm offering the best proposal for the services required to be performed and shall negotiate with the firm selected the contract price and the text of the proposed contract and shall submit such draft for the approval of the Bank.

(c) Notwithstanding the foregoing, the Bank, at the request of the Borrower, through the Ministry, may cooperate in finding and selecting the Consulting Firm and in drafting the respective contract provided, however, it being understood that the Bank will undertake such cooperation solely in an advisory capacity and that the final negotiations as well as the actual execution of the Contract shall be the responsibility of the Borrower.

(d) The contract between the Borrower and the Consulting Firm shall include the following provisions:

- (i) Should the Consulting Firm be domiciled in Barbados, the remuneration of such firm or firms shall be paid exclusively in Barbados dollars with exception of the expenses incurred in foreign exchange for purchases or payment of per diem outside of the country, which shall be reimbursed in United States dollars or its equivalent in other currencies that are part of the Fund for Special Operations of the Bank.
- (ii) Should the Consulting Firm not be domiciled in Barbados, the maximum possible percentage of the remuneration paid shall be in Barbados dollars, and the rest in United States of America dollars or its equivalent in other currencies that form part of the Fund for Special Operations of the Bank, with the understanding that the part corresponding to per diem shall be paid in Barbados dollars or in the currency of the country in which the Consulting Firm provides services. In the event that the percentage of remuneration that is to be paid in Barbados dollars is less than 30% of the total of such remuneration, a full and complete justification of the lesser percentage shall be submitted to the Bank for its prior approval together with the corresponding draft contract.

Section 5.17. Recommendations of Consulting Firms. It is understood that the opinions and recommendations of a Consulting Firm contracted to perform services in connection with the Project, do not necessarily commit the Bank, or the Borrower, and the Bank and the Borrower reserve the right to make such observations as they believe desirable with regard to such opinions and recommendations.

ARTICLE VI

Records, Inspections and Reports

Section 6.01. Records. The Borrower shall maintain appropriate records for recording, in accordance with the plan, catalogue, or code of accounts approved by the Bank, the investments in the Project, both from the Loan proceeds and from the other funds to be provided for its complete execution.

Section 6.02. Inspections. (a) The Bank shall establish such inspection procedures as it deems necessary to assure the satisfactory execution of the Project.

(b) The Borrower, the Project Execution Unit, and, subject to its creation, the Authority, shall extend all cooperation which is required for the most effective accomplishment of the inspections and shall permit such officers and experts as the Bank shall send to inspect the progress of the Project at any time and to examine such records and documents of the Project, the Waterworks Department and, subsequent to its creation, the Authority, as the Bank shall deem pertinent. The Borrower shall ensure that the Waterworks Department and, subsequent to its creation, the Authority, shall comply with the provisions of this subparagraph.

(c) Ninety seven thousand United States of America dollars (US\$97,000) chargeable to the amount set forth in Section 1.01 are hereby allocated to cover the Bank's general expenses for general inspection and supervision. Such sum shall be disbursed in quarterly and, as far as possible, equal installment, and shall be entered upon the books of the Bank without the necessity of an application by the Borrower. The Bank shall inform the Borrower of the disbursements made hereunder in a timely manner.

(d) During the execution period of the Project, the Bank may undertake the inspection of the Project through one or more project specialists. The Borrower, the Project Execution Unit, the Waterworks Department and, subsequent to its creation, the Authority, shall accord the Bank all cooperation necessary in order to accomplish this purpose. All costs occasioned thereby, such as travel, salaries and other expenses, shall be borne by the Bank.

Section 6.03. Reports. (a) The Borrower undertakes to present to the Bank through the Ministry and, subsequent to its creation, through the Authority, to the Bank's entire satisfaction and at the respective specified times, the following reports:

- (i) Within thirty (30) days after the end of each calendar quarter, or within such other period as the parties shall agree, reports on the execution of the Project in accordance with standards which the Bank shall have transmitted to the Borrower.

- (ii) Such other reports as the Bank may reasonably request regarding the investment of the amounts loaned, and the progress of the Project.
- (iii) Within one hundred and twenty (120) days following the close of each fiscal year, beginning with the fiscal year ending December 31, 1976, and continuing during the life of the Loan, three (3) copies of the financial statements together with other complementary financial information relating to the Project.
- (iv) Within one hundred and twenty days (120) following the close of each fiscal year, beginning with the fiscal year ending December 31, of the year in which the Authority commences its operations, three (3) copies of the financial statements together with other complementary financial information relating to the Authority.

(b) The statements and information required under paragraph (a)(iii) and (iv) of this Section shall be presented to the Bank, duly certified by a firm of chartered accountants approved by the Bank. The financial statements and information supplied hereunder shall conform to the standards required by the Bank. The expenses and fees of the firm shall be paid by the Borrower, or subsequent to its creation, by the Authority. The Borrower and/or the Authority shall authorize the firm of chartered accountants to furnish directly to the Bank any information which the latter may reasonably request regarding the Authority or the Project.

ARTICLE VII

Miscellaneous Provisions

Section 7.01. Date of the Contract. For all purposes of this Contract the date thereof shall be that appearing in the opening sentence hereof.

Section 7.02. Entry into Force. The parties hereto agree that this Contract shall enter into force on the date referred to in the preceding Section for all legal effects relating thereto.

Section 7.03. Termination. Upon payment in full of the principal, interest and credit fee, this Contract and all obligations hereunder shall terminate forthwith.

Section 7.04. Validity. The rights and obligations established in this Contract are valid and enforceable in accordance with its terms, regardless of the legislation of any given country, and consequently neither the Bank nor the Borrower may allege the invalidity of any of its provisions.

Section 7.05. Encumbrances. Unless expressly authorised by the Bank, the Borrower shall not create any encumbrance on its assets or revenues in favor of a third party unless at the same time it creates an encumbrance guaranteeing to the Bank, equally and proportionally, fulfillment of the obligations contracted herein. The foregoing shall not apply to: (i) encumbrances created on purchased goods as security for the payment of the unpaid balance of the purchase price; (ii) encumbrances created in banking operations to guarantee payment of debts with maturities of not more than one year. The phrase "assets or revenues" for the purpose of this Contract shall mean all types of assets or revenues which belong to or are received by the Borrower or any of its dependant agencies which are not autonomous entities with their own separate capital.

Section 7.06. Publicity. The Borrower shall agree to indicate suitably in publicity relating to the Project that it is being financed with the cooperation of the Inter-American Development Bank.

Section 7.07. Communications. Any notice, request, or communication from one party to another by virtue of the present Contract shall be made in writing and shall be considered given when delivered to the addressee at the respective address as given below:

To the Bank:

Mail address:

Inter-American Development Bank
808 17th Street, N.W.
Washington, D.C. 20577

Cable address:

INTAMBANC
Washington, D.C.

To the Borrower:

Mail address:

Ministry of Finance & Planning
Bridgetown, Barbados

Cable address:

Ministry of Finance & Planning
Bridgetown, Barbados

To the Project Execution Unit:

Mail address:

The Public Health Engineering Unit,
Ministry of Health and Welfare
Bridgetown, Barbados

Cable address:

The Public Health Engineering Unit,
Ministry of Health and Welfare
Bridgetown, Barbados

ARTICLE VIII

Arbitration

Section 8.01. Arbitration. The parties to this Contract agree that any controversy arising out of the present Contract and not resolved by agreement between the parties, shall be unconditionally and irrevocably submitted to the procedure and ruling of the Arbitration Tribunal referred to in Annex A of this Contract, which shall be considered an integral part hereof.

IN WITNESS WHEREOF, the Borrower and the Bank, each acting through its authorised representative, have signed this Contract, in two equally valid copies on the date above written, in Washington, District of Columbia, United States of America.

BARBADOS

INTER-AMERICAN DEVELOPMENT
BANK

(fdo.) Erskine Sandiford
Erskine Sandiford, Minister
Health and Welfare

(fdo.) Antonio Ortiz Mena
Antonio Ortiz Mena
Presidente

ANNEX A

Arbitration

Article One. Composition of the Tribunal. 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 agreement between the parties, either directly or through their respective arbitrators. If the parties fail to agree on who shall be the Referee, he 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, he 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 perform the same functions and shall have the same powers as his predecessor.

Article Two. 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 sought, and the name of the arbitrator it has appointed. The party receiving such communication shall, within forty-five (45) days, notify the adverse party of the name of the person it has appointed 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 Three. Convening of the Tribunal. The Arbitration Tribunal shall be convened in Washington, District of Columbia, on the date designated by the Referee and, once convened, the Tribunal itself shall decide when it shall meet.

Article Four. Procedure. (a) The Tribunal shall be competent only to hear the matter 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 of making oral presentations.

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

(c) The award, which shall be in writing and shall be adopted with the concurrent vote of at least two of the arbitrators, shall be handed down within sixty (60) days from the date on which the Referee has been appointed, unless the Tribunal determines that, on account of special and unforeseen circumstances, such period should be extended. The parties shall be notified of the award by means of a communication signed by at least two members of the Tribunal. The parties agree that any award of the Tribunal shall be complied with within thirty (30) days from the date of notification and it shall be final and not be subject to any appeal in any national court or otherwise.

Article Five. Costs. Prior to the convening of the Tribunal, the parties shall agree on the remuneration of the arbitrators and any other person deemed by the parties to be required for the arbitration proceedings. If such agreement is not reached, the Tribunal itself may determine such compensation as is reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the Tribunal shall be divided and borne equally by both 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 Six. Notification. All notifications relative to the arbitration proceeding or to the award shall be made in the manner provided in the present Contract. The parties expressly waive any other form of notification.

ANNEX B

DESCRIPTION OF THE PROJECT

I. DESCRIPTION OF THE PROJECT

The construction of a sewerage system for the central area of the city of Bridgetown, including the following works:

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

II. COST AND FINANCING

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

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

^{1/} Foreign currency for payment of the credit commission.

^{2/} Includes US\$2,428,000 for indirect foreign exchange costs.

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

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

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

III. BIDDING

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

IV. SELECTION AND CONTRACTING OF CONSULTANTS OR CONSULTING FIRMS

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

ANNEX C

GENERAL AGREEMENT

FOR THE USE OF

SPECIAL LETTERS OF CREDIT

IN

UNITED STATES DOLLARS

BETWEEN THE

INTER-AMERICAN DEVELOPMENT BANK

AND

THE CENTRAL BANK OF BARBADOS

1974

GENERAL AGREEMENT FOR THE USE OF SPECIAL LETTERS OF CREDIT
IN UNITED STATES DOLLARS

AGREEMENT entered into on March 15, 1974 between the INTER-AMERICAN DEVELOPMENT BANK (hereinafter referred to as the "IDB") and the CENTRAL BANK OF BARBADOS (hereinafter referred to as the "Central Bank"), for the utilization of special letters of credit in United States of America dollars whenever the use of such letters of credit is provided for in loan contracts between the IDB and Barbados, or between the IDB and other entities in Barbados. For the purpose of this Agreement, the borrowers (whether Barbados or other entities in Barbados), hereinafter shall be referred to as the "Borrower", and loans to such entities as the "Loan".

ARTICLE I

Object

The following sets forth the understanding of the Parties hereto as to the use of one or more special letters of credit in United States of America dollars to finance indirect foreign exchange costs in Barbados dollars (hereinafter referred to as "Local currency") to be charged against the Loan. The provisions of this Agreement shall apply only in those cases where pursuant to the provisions of the respective loan contract, United States dollars to be provided from the Fund for Special Operations are proposed to be disbursed for the financing of indirect foreign exchange costs to be paid in local currency.

ARTICLE II

The Special Letters of Credit

Each special letter of credit shall be in favor of the Central Bank and shall be irrevocable but transferable in favor of any designee of the Authority, and shall be opened at the request of the IDB by a United States banking institution (hereinafter called the "U.S. Bank"), designated by the Central Bank.

ARTICLE III

Utilization of Special Letters of Credit

(1) Special letters of credit shall be utilized in accordance with this Agreement, only when, pursuant to the requirements of a loan contract, the Borrower requests the IDB to disburse United States dollars to finance indirect foreign exchange costs in local currency.

(2) Whenever the Borrower requires the financing of local currency costs, it shall request the IDB to disburse the corresponding sum in United States dollars in accordance with the provisions of the respective loan contract. If the IDB approves the requests referred to in paragraph (1) above, it shall advise the Central Bank by cable of this fact and of its intent to open, or to increase, one or more special letters of credit in an amount of United States dollars equivalent to

the local currency requirements, computed at the rate of exchange appropriate under the respective loan contract. The IDB shall simultaneously request the Central Bank to designate one or more banks in the United States in which the special letter or letters of credit shall be opened or increased.

(3) Upon receipt by the IDB of an acknowledgement from the Central Bank, in form and substance satisfactory to the former, it shall request the U.S. Bank or banks designated by the Central Bank to open or increase a special letter of credit in favor of the Central Bank in the U.S. dollars amount equivalent to the local currency to be made available pursuant to the authorized disbursement. Upon receipt of notification that the U.S. Bank has opened or increased the special letter of credit as provided in the request, the Central Bank shall send to such U.S. Bank the documents referred to in this Agreement, in order for the U.S. Bank to credit to the account of the Central Bank the value of the corresponding U.S. dollars. Upon being advised that it has been so credited, the Central Bank shall deposit the equivalent amount of local currency to the Borrower's demand account and at the earliest possible time transmit to the IDB by tested cable and confirm by airmail the amount, date and other pertinent information.

(4) The amount of United States dollars specified in each special letter of credit shall accrue in favor of the IDB interest and service charge, as provided in the respective loan contract, from the date on which the IDB shall have reimbursed the U.S. Bank the amounts paid out against the said special letter of credit.

ARTICLE IV

Terms and Conditions of Special Letters of Credit

Imports of Commodities

(1) All commodities and related services to be utilized in Barbados of non-military nature may be financed by special letters of credit.

Source

(2) Only commodities and related services having their source in the United States may be financed through special letters of credit. The term "source" means the country from which a commodity is shipped to Barbados. Where, however, a commodity is shipped from a free port, trade zone, or bonded warehouse in the form in which received therein, "source" shall mean the country from which the commodity was shipped to the free port or bonded warehouses.

Freight

(3) Ocean and air freight may be financed by special letters of credit only when transportation has been supplied by United States flag carriers.

Bank Charges

(4) U.S. commercial bank charges in such amounts as may have been agreed between the Central Bank and the U.S. Bank covering commissions, transfers, interest, expenses, or other charges directly attributable to the special letters of credit shall be for the account of the Central Bank and will be charged by the U.S. Bank directly to the Central Bank without prejudice to the right of the latter to recover such charges from the Government of Barbados, the Borrower, or any other person, but in no case from the IDB.

Eligibility Dates

(5) Special letters of credit may be used to finance commodities shipped and services rendered on or after the date of the respective loan contract and not later than the final date specified in each special letter of credit for presentation of documents for payment (terminal date for financing), subject to the extension of the terminal date as provided for herein.

(6) The terminal date for financing under the special letters of credit shall be designated by the IDB in accordance with normal commercial practices, but may not extend beyond 3 years from the date of the last increment to the respective special letter of credit.

(7) If the special letter of credit has not been fully utilized by the terminal date, it may be extended upon request of the Central Bank submitted to the IDB prior to such date.

ARTICLE V

Documentation

(1) In order to insure that special letters of credit are utilized pursuant to the provisions contained in this Agreement, all payments under such special letters of credit shall be made only against presentation of the following documents:

(a) Supplier's Invoice

A copy (which may be a photocopy) of each of the invoices of the supplier of the commodity and, if any freight has been financed under the letter and is not included in the price of the commodities, a copy of the invoice of the carrier in respect of the freight charges. Both copies shall either be (i) marked "paid" by the supplier or carrier, as appropriate, or (ii) endorsed by, or accompanied by a certificate of an officer of a banking institution, indicating that payment has been made in the amount shown in the invoice. Invoices covering ocean freight shall indicate the name of the vessel, flag and dollar cost of the freight and related transportation

charges. If the bill of lading required by subparagraph (b). of this Article V contains the information required to be included in the invoice of the carrier, no such invoices will be required. Invoices for other forms of freight shall specify the nationality of the carrier and the U.S. dollar charges involved.

(b) Bill of Lading or Substitute

One copy (which may be a photocopy) of the ocean or charter bill of lading, airway bill, or railway, barge, or truck bill of lading, or parcel post receipt, evidencing shipment to the recipient country.

The aforementioned documents must show shipments from the United States of America. In those cases in which the U.S. Bank is effecting payment other than directly to a supplier, or to another U.S. Bank for the account of the supplier, the aforesaid documents must be presented to the U.S. Bank issuing the respective special letter of credit within 240 days after the date of shipment (bill of lading date).

(c) Non-duplication Certificate

Certification by the Central Bank that the documents referred to in paragraphs (a) and (b) above have not been and will not be utilized again to obtain payment against special letters of credit opened or increased by IDB or by the Agency of International Development (AID) or by any other agency of the Government of the United States of America.

(2) Reimbursement requests submitted by the U.S. Bank shall contain the following certification:

"The undersigned bank hereby certified that it has received the documentation prescribed in the Special Letter of Credit No. , in favor of the Central Bank of Barbados, has complied with all applicable provisions of said Special Letter of Credit, has complied with all applicable instructions by the said beneficiary relative to the Special Letter of Credit and has either effected payment to supplier(s) or reimbursed (or credited the account of) said beneficiary in an amount totaling (eligible value of transaction) including for charges. The undersigned bank further states that the reimbursement documents have been forwarded to the beneficiary. The commission transfers, interest and/or other charges for which payment is being claimed are in accordance with the schedule of charges agreed on between us and the beneficiary.

Authorized Signature"

ARTICLE VI

Implementation

(1) The Central Bank agrees to establish and maintain such procedures and keep such records and make such reports as shall be necessary to insure compliance with the provisions of this Agreement. The IDB shall have the right at all reasonable times, to inspect any records which the Central Bank shall keep pursuant to this Article.

(2) The IDB shall provide the Central Bank with a conformed copy of any loan contract between the IDB and the Borrower which contains a provision for the use of special letters of credit in U.S. dollars to finance costs in local currency to be charged against the Loan.

ARTICLE VII

Termination

Each of the parties hereto may terminate this Agreement by not less than 30 days written notice to the other party. Notwithstanding termination of this Agreement, its terms and provisions shall remain in effect with respect to any sums covered by any special letters of credit incurred pursuant to this Agreement prior to the effective date of termination.

IN WITNESS WHEREOF, the Central Bank and the IDB, acting through their respective duly authorized representatives, have caused this general agreement to be signed in their respective names in three copies of equal validity, on the day above specified.

CENTRAL BANK OF BARBADOS

INTER-AMERICAN DEVELOPMENT BANK

Courtney L. Blackman

Governor

Henry J. Costanzo

Executive Vice President

ANNEX D

TENDERS PROCEDURES

BANK RESOURCES--SANITARY SEWERAGE BRIDGETOWN PROJECT

These procedures shall be followed in awarding contracts for the construction of the works and for the procurement by the Borrower of materials for use in the Project whenever the value of such contracts or equipment acquisitions are expected to exceed the equivalent of twenty-five thousand United States dollars (US\$25,000) and when any part of the resources of the Bank are to be used for such purposes.

I. TENDERS COMMITTEE

- A. A special Tenders Committee shall be established and shall be comprised of the following persons:
 - (a) the Chief Supply Officer (Chairman),
 - (b) the Crown Solicitor or Deputy Crown Solicitor, and
 - (c) 5 other public officers appointed by the Director of Finance and Planning.
- B. A Special Tenders Committee shall have the duties set forth herein.

Voting shall be by a majority of all members.

II. PREQUALIFICATIONS OF CONTRACTORS

- A. Potential contractors will be prequalified following the system described.
- B. Documents to be used in connection with the prequalification of contractors will be prepared and presented to the Bank for approval. Such documents shall specify the currency or currencies proposed to be utilised for payment and the criteria employed to determine the eligibility of prospective contractors under the rules established for the utilisation of such currency or currencies.
- C. A Register of eligible prospective contractors will be maintained by the Special Tenders Committee.
- D. Such Register will be opened by placing notices in at least two (2) newspapers of general circulation

in Barbados inviting interested contractors to apply for registration. Copies of notices will be sent at the same time to all embassies or consulates of the member countries of the Bank, as well as other countries located either in Barbados or in the nearest country.

- E. The notices shall contain all relevant information necessary to enable a prospective contractor to apply for inclusion in the Register, including a brief description of the Project and the participation of the Bank in the financing, including any limitations on the origin of the goods and services, and the nationality of the prospective contractor.
- F. The Tenders Committee shall review the qualifications of prospective contractors, which review will be forwarded through the Officer-in-Charge of the Project Execution Office to the Bank for comment and clearance.
- G. Thereafter, the Tenders Committee will notify each contractor of the results of the review, within thirty (30) days of receipt of applications.
- H. Rejected contractors may request reconsideration of applications which shall be treated as new requests.
- I. The Register shall be closed not more than 30 days prior to the date it is anticipated invitations to tender will be sent to prospective contractors, provided however that 90 days prior to such date of closing, notice of the intention to close the Register will be published following the procedures set forth in (D) and (E) above. Such notice shall also indicate the date of the proposed invitation to tender as well as specifying the works to be undertaken.

Applications received prior to 30 days before the anticipated invitation to tender shall be treated as in (F) and (G). All others shall be returned.

- J. The Register shall be reopened no later than 30 days following award of previous contract or 30 days following determination that all tenders are to be rejected, until all works have been contracted. The procedure for reopening shall follow A to I above.

III. INVITATIONS TO TENDER

- A. Invitations shall be sent to all contractors on Register with description of works to be tendered indicating where and when bidding documents, specifications, etc. may be obtained and time and place tenders will be opened. Such invitations shall indicate clearly the currency or currencies proposed to be utilised for payment and the criteria to be employed to determine whether a prospective contractor is eligible under the rules established for the utilisation of such currency or currencies.
- B. The period for presentation of tenders shall be not less than 45 days from date of invitation to tender.
- C. Prior to the issuance of invitations to tender, tender documents, final engineering plans, specifications and cost estimates pertaining to the installation to be constructed along with the text of the contract proposed to be entered into with the successful tenderer shall have been approved by the Bank.
- D. Tenders, together with evidence of surety, shall be submitted in sealed envelopes and shall be treated pursuant to Section 143 of the Financial Rules.
- E.
 - (1) On the date and place set for opening of tenders, which place shall be open to all persons who have submitted tenders, the Chairman and other member by whom a key is kept pursuant to D(1) shall unlock the box and remove and open the tenders found therein.
 - (2) The Chairman shall announce the tenders received from contractors on the Register and other tenders shall be rejected.
 - (3) The Chairman and other Members of the Committee shall initial the tenders received from contractors on Register and shall cause a note to be taken of the number of such tenders and such further information as the Committee may require.
- F. Tenders eligible for consideration shall be evaluated by the Project Execution Office and returned to the Tenders Committee with recommendations for the decision of the Committee. The lowest eligible tender shall normally be recommended for award.

- G. The tender recommended for award together with a report, analysing all tenders shall be submitted to the Minister for his review. Upon receipt of approval by the Minister, the Officer-in-Charge of the Project Execution Office shall submit the tender proposed for award as well as the analysis report to the Bank for its comments and clearance.
- H. Subsequent to the acceptance by the Bank of the report and concurrence with the proposed award, the Officer-in-Charge of the Project Execution Office shall prepare the necessary documentation for the authorisation of award to the successful tenderer.
- I. In every contract awarded under these procedures, a clause shall be inserted providing that the contract may be cancelled in cases where there is evidence that:
 - (a) the contractor or his agent has offered or given to any person any gift or consideration of any kind as an inducement or reward for doing or omitting to do, any act in relation to the obtaining or execution of the contract;
 - (b) the contractor has shown favour or disfavour to any person in relation to the contract;
 - (c) the contractor or his agent in relation to any contract with the Borrower has committed an offence under the Prevention of Corruption Act, 1929.
- J. When a tender has been accepted, written notice of its acceptance shall be given to the person who submitted the tender and he shall by said notice, be required to enter into a formal contract with the Borrower. A formal contract shall be prepared and shall be in such form and shall contain such terms, conditions and provisions as may be considered necessary, which the Bank shall have approved prior to signing thereof. Copies of the notice to the successful tenderer shall be sent to all persons who submitted tenders.

IV. ACQUISITION OF GOODS, MATERIAL AND EQUIPMENT

The procedures for the acquisition of goods, materials and equipment shall follow those set forth herein, except that prequalification need not be required, in which case notice of invitation to tender shall be published and sent to embassies and consulates as set forth in II(D) containing full specification of the goods, etc. and other information set forth in III(A). Rules III(B) to I shall be followed.

V. SPECIAL CONDITIONS

- A. Whenever the goods and services to be acquired are totally or partially to be financed with the resources of the Loan, the procedures and specific tender requirements shall permit free participation of bidders in or from countries of the Bank or from other countries eligible to participate in tenders with respect to the acquisition of services, machinery, equipment and other materials for the Project and for the awarding of construction contracts. Consequently, such procedures and/or specific requirements shall not contain any condition which may impede or restrict the participation of such bidders.
- B. Tenders may be limited to national entities only when the sole source of financing is the Borrower's local contribution.
- C. Tenders will be presented with an indication of the origin of all goods. At the same time tenders should indicate the origin and costs of any technical services from outside Barbados. In the case of construction firms, evidence shall be presented that such firms are from an eligible country.