

LOAN CONTRACT No. 2948/CH-SU

between the

REPUBLIC OF SURINAME

and the

INTER-AMERICAN DEVELOPMENT BANK

Acting as Administrator of the China Co-financing Fund for Latin America and the Caribbean

Financial Sector Strengthening Program II

July 9, 2013

LOAN CONTRACT

PART ONE

SPECIAL CONDITIONS

INTRODUCTION

Parties, Objective, Constituent Elements and Executing Agency

1. PARTIES AND OBJECTIVE OF THE CONTRACT

CONTRACT entered into on July 9, 2013, between the REPUBLIC OF SURINAME (hereinafter referred to as the “Borrower”) and the INTER-AMERICAN DEVELOPMENT BANK acting in its capacity as Administrator of the China Co-financing Fund for Latin America and the Caribbean (hereinafter referred to as the “Bank”) to cooperate in the execution of a “Financial Sector Strengthening Program II” (hereinafter referred to as the “Program”).

This contract is entered into pursuant to the Trust Fund Agreement signed between the Bank and The People’s Bank of China for the establishment of the China Co-financing Fund for Latin America and the Caribbean, on January 14, 2013.

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

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

(b) Procedural provisions relating to the application of the sections regarding amortization, interest, credit fee, inspection and supervision, conversions, and disbursement, as well as other conditions related to Program execution, are established in detail in the General Conditions. The General Conditions also include general definitions.

3. EXECUTING AGENCY

The parties agree that the execution of the Program and the utilization of the resources of the loan granted by the Bank shall be carried out by the Borrower, through the Central Bank of Suriname, which for the purposes of this Contract shall be referred to, without distinction, as either the “Executing Agency” or the “CBvS”. The Borrower gives its assurance as to the legal and financial capacity of the CBvS to function as the Executing Agency of the Program, the Borrower undertakes to fulfill all the provisions set forth in this Contract, and the Borrower undertakes that the

Executing Agency will carry out the activities of the Program in accordance with the provisions set forth in this Contract.

CHAPTER I

The Loan

SECTION 1.01. Cost of the Program. The total cost of the Program is estimated to be the equivalent of one hundred million dollars of the United States of America (US\$100,000,000). Such cost will be financed through the resources referred to in Section 1.02 of these Special Conditions and, in addition, a loan of up to fifty million dollars of the United States of America (US\$50,000,000), chargeable to the Ordinary Capital resources of the Bank. 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 and Currency of the Loan. In accordance with this Contract, the Bank agrees to lend to the Borrower, and the Borrower accepts, a loan of up to the amount of fifty million dollars of the United States of America (US\$50,000,000), hereinafter the “Loan”, chargeable to the resources of the China Co-financing Fund for Latin America and the Caribbean, administered by the Bank.

SECTION 1.03. Disbursement requests and Disbursement currency. (a) The Borrower may request disbursements of the Loan by submitting a disbursement request to the Bank pursuant to Article 4.04 of the General Conditions.

(b) All disbursements shall be denominated and made in Dollars.

SECTION 1.04. Disbursement Period. The Original Disbursement Period will be twelve (12) months from the effective date of this Contract. Any extension to the Original Disbursement Period shall be subject to the provisions of Article 3.02 (f) of the General Conditions.

SECTION 1.05. Amortization Schedule. (a) The Final Amortization Date is the date twenty (20) years from the date of signature of this Contract. The Original WAL of the Loan is twelve point seventy five (12.75) years.

(b) The Loan shall be repaid by the Borrower in semiannual, consecutive and as far as possible, equal installments. The first installment shall be due on the expiration date of the sixty-six (66) month period after the date of entry into effect of this Contract, and the last installment shall be paid no later than the Final Amortization Date. If the expiration date of the period for the payment of the first amortization installment does not fall on the fifteenth (15th) day of the month, the payment of the first amortization installment shall be made on that date which is the fifteenth (15th) day of the month, which date most immediately precedes the expiration date of such period (in the same month or the prior month, as the case may be.) If the Final Amortization Date does not fall on an interest payment date, the payment of the last amortization installment shall be made on the interest payment date immediately preceding the Final Amortization Date.

(c) The Parties may agree to modify the Loan Amortization Schedule as set forth in Article 3.02 of the General Conditions.

SECTION 1.06. Interest. (a) The Borrower shall pay interest on the daily Outstanding Loan Balances at a rate determined pursuant to the provisions of Article 3.03 of the General Conditions.

(b) Interest shall be payable to the Bank semiannually. The first interest payment shall be due on the expiration date of the six (6) month period following the date of entry into effect of this Contract. If the expiration date of the period for the payment of the first interest payment does not fall on the fifteenth (15th) day of the month, the first interest payment shall be made on that date which is the fifteenth (15th) day of the month, which date most immediately precedes the expiration date of such period (in the same month or the prior month, as the case may be).

SECTION 1.07. Credit Fee. The Borrower shall pay a credit fee as set forth in Articles 3.04, 3.05, and 3.07 of the General Conditions.

SECTION 1.08. Resources for General Inspection and Supervision. The Borrower shall not be required to cover the Bank's expenses for general inspection and supervision, unless the Bank establishes otherwise pursuant to Article 3.06 of the General Conditions.

SECTION 1.09. Conversion. The Borrower may request Interest Rate Conversions at any time during the term of this Contract, as set forth in Chapter V of the General Conditions. The Borrower may request that, with respect to all or part of the Outstanding Loan Balance, the LIBOR-based Interest Rate be converted to a fixed interest rate.

CHAPTER II

Objective and Use of Funds

SECTION 2.01. Objective. (a) The Loan aims to support the execution of a policy-based reform program consisting of improving the effectiveness of financial institutions and markets in providing credit and other financial services to firms and households, and reducing their vulnerability to macroeconomic shocks. The specific objectives of the Program are the enhancement of the enabling environment in which the financial markets and institutions operate, both public and private, and the strengthening of the capabilities of the CBvS to execute its core responsibilities.

(b) The Borrower may not use resources of the Loan to finance expenditures described in Section 2.04 of these Special Conditions. The resources of the Loan may be used to finance the item referred to in Section 1.08 of these Special Conditions and Article 3.06 of the General Conditions.

(c) The Bank will make the disbursements in one (1) Disbursement Tranche, which disbursement will be subject to the compliance by the Borrower of the conditions precedent set forth in this Contract.

SECTION 2.02. Conditions precedent to all disbursements of the Loan. The disbursements of the Loan will be subject to compliance, by the Borrower, to the Bank's satisfaction, with the following conditions in addition to those set forth in Articles 4.01 and 4.03 of the General Conditions:

(a) maintains a macroeconomic framework conducive to the achievement of the Program's objectives and in accordance with the Policy Letter referred to in Section 3.01 of these Special Conditions;

(b) fulfills the conditions established in these Special Conditions for the disbursement of the first and only Disbursement Tranche; and

(c) maintains open throughout execution of the Program the special bank account(s) referred to in Article 4.01(c) of the General Conditions, to which the Bank will disburse the resources of the Loan.

SECTION 2.03. Special conditions precedent to the disbursement of the first and only Disbursement Tranche. In addition to the conditions set forth in Articles 4.01 and 4.03 of the General Conditions and in Section 2.02 of these Special Conditions, the disbursement of the first and only Disbursement Tranche of the Loan is subject to compliance by the Borrower, to the Bank's satisfaction, with the following conditions:

I. Legal and Regulatory Reforms:

(a) presentation of evidence that the following new regulations for the Banking and Credit System Supervision Act (BCSA) are being consulted with the banks: (i) liquidity risk management, (ii) operational risk, and (iii) foreign exchange risk;

(b) presentation of evidence that the following regulations for the BCSA have been drafted: (i) interest rate risk, (ii) licensing for credit institutions, (iii) corporate governance, (iv) fit and proper standards, (v) internal control systems, and (vi) internal audit;

(c) presentation of evidence that a revised version of the following existing regulations for the CSA has been approved by the CBvS: (i) capital adequacy, (ii) classification and provisioning, (iii) insider and related party exposures and transactions, (iv) large exposures, and (v) fixed assets;

(d) presentation of evidence that the draft insurance supervision act, consistent with international standards (International Association of Insurance ("IAIS") cores principles), has been prepared by the CBvS, and that said draft has been submitted to the Minister of Finance to be included in the agenda of the Council of Ministers;

(e) presentation of evidence that the legislation amending the Disclosure of Unusual Transactions Act and the Act on Identification Requirement for Service Providers, has been approved;

(f) presentation of evidence that the legislation governing Foreign Exchange Markets (*cambios*) has been approved;

(g) presentation of evidence that the capacities of the Financial Intelligence Unit with regard to human resources, management information system (MIS), and physical facilities, have been enhanced;

(h) presentation of evidence that at least five of the Core Recommendations of the 2009 Caribbean Financial Action Task Force (CFATF) Mutual Evaluation have been fully complied with;

II. Enhancement of Financial Sector Supervision:

(i) presentation of evidence that the 2012 targets of the financial institutions supervision enhancement plan have been implemented, as follows: (i) there is sufficient number of qualified professional supervisors that can conduct bank supervision in accordance with international standards; (ii) there is an earnest continuation of the training for the existing staff; (iii) in addition to the scheduled on-site examinations, at least one classroom training session has been delivered to the banking supervision staff, providing international best practice standards and approaches to risk-based supervision; and (iv) additional training that cover consolidated supervision, liquidity risk management and market risks has been delivered to the supervision staff;

(j) presentation of evidence that at least three commercial banks have been examined using the newly developed procedures, and with the active participation of the consultant as part of the on the job training program.

(k) presentation of evidence that the off-site inspection manual has been updated with formats redesigned for: (a) capital adequacy; (b) open foreign exchange position; (c) consolidated profit & loss statement; (d) large exposures; (e) fixed assets; and (f) liquidity. The formats for classification and provisioning, insider and related party exposures, as well as on delinquent and structured loans, must have been revised according to best practices;

III. Institutional Strengthening of CBvS:

(l) presentation of evidence that in addition to the supervision staff training, the following financial sector related training courses, geared to enhance the stock of human capital in the CBvS, have been completed: (i) macroeconomic statistics, (ii) financial programming and policy, (iii) econometrics, (iv) government finance statistics, (v) talent management, (vi) performance management, (vii) econometric workshop, (viii) foundation program in information technology (IT) service management and project management, (ix) public sector management, (x) financial education, and (xi) principles for internal audit;

(m) presentation of evidence that the enhanced procurement, internal audit, and budgeting procedures have been approved and are under implementation;

(n) presentation of evidence that the electronic check clearing mechanism flow process has been designed and presented to the Governor of the CBvS for his approval;

(o) presentation of evidence that the budget of the CBvS for 2012 and 2013 have been approved;

(p) presentation of evidence that the innovation, communication and technology (ICT) infrastructure has been improved, and that the staff training on the design and implementation of enhanced financial information platform for internal and external data management and analysis is being carried out;

(q) presentation of evidence that the audited financial statements of all banks and insurance companies must be published;

(r) presentation of evidence that the CBvS website has links to the website of the supervised financial institutions;

(s) presentation of evidence that an effective administrative structure in the CBvS for the execution of the financial sector reform program (Qualified Program Manager), is in place;

IV. Inter-Bank and Securities Markets Development:

(t) presentation of the following evidence to show progress in the modernization of the payment system in Suriname: (i) a completed inventory of the amount and average level of transactions at commercial banks; (ii) a completed inventory of computer and data communication facilities; (iii) a designed process flow for an Automatic Clearing House (ACH); and (iv) an elementary training on the principles of ACH and Real Time Gross Settlement System (RTGS) provided in the departments to be served by the clearing system;

(u) presentation of evidence that a securities market supervision unit has been established in the CBvS;

(v) presentation of evidence that the second draft of the Capital Market Supervision Act has been presented to Caribbean Regional Technical Assistance Centre (CARTAC) for comments, and the discussions of the draft Act with the Stock Exchange are ongoing;

V. Complementary Institutions for Greater Access to Finance:

(w) presentation of evidence to show progress in the drive to set up a credit bureau to facilitate financial institutions' access to customers' credit history;

(x) presentation of evidence that the legislation to guide the process to set up a credit bureau has been drafted and endorsed by CBvS;

(y) presentation of evidence that, as part of the execution plan, the models of secure transactions, in particular the proposal of the Organization of the American States (OAS), are under

study by the Borrower to see the possibility to develop and implement a similar mobile guaranty register procedure in Suriname; and

VI. Public Bank Reform:

(z) presentation of evidence that the Borrower has engaged an external auditor to conduct a proper valuation of the assets and liabilities of the public banks.

SECTION 2.04. Expenditures excluded from the Loan. (a) Resources of the Loan may not be used to finance:

- (i) expenditures in goods included in the groups or sub-groups of the United Nations Standard International Trade Classification (SITC) list, as indicated in Section 2.05 of these Special Conditions;
- (ii) expenditures in goods acquired under contracts for an amount less than the equivalent of ten thousand dollars (US\$10,000);
- (iii) expenditures in goods financed in foreign exchange, under medium or long terms;
- (iv) expenditures in luxury goods;
- (v) expenditures in weapons;
- (vi) expenditures in goods for the use of the armed forces; and
- (vii) expenditures in goods from countries that are not members of the Bank.

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

SECTION 2.05. Negative list. The goods referred to in subparagraph (a)(i) of Section 2.04 hereinabove are included in the following groups and sub-groups of the United Nations Standard International Trade Classification (SITC)¹, including any amendment that may be made to these groups or sub-groups and of which the Bank shall notify the Borrower:

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

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

CHAPTER III

Execution of the Program

SECTION 3.01. **Policy Letter.** The Borrower and the Bank agree that the substantive contents of the Policy Letter dated May 17th, 2013, from the Borrower to the Bank, that describes the objectives, policies and actions directed toward the achievement of the objectives of the Program and in which the Borrower declares its commitment to the execution of the Program, are an integral part of the Program for the purposes established in Section 3.04 of these Special Conditions.

SECTION 3.02. **Periodic meetings.** (a) The Borrower, the Executing Agency and the Bank shall meet, at the request of either party and on the date and place agreed upon, to exchange views on: (i) the general progress achieved in the implementation of the Program, and the compliance with the obligations set forth in Section 2.03 of these Special Conditions; and (ii) the consistency of the Borrower's macroeconomic framework with the Program. Prior to any such meeting, the Borrower shall submit to the Bank, for its review and comments, a report in such detail as the Bank shall reasonably request on the fulfillment of the obligations referred to in subparagraphs (a)(i) and (ii) of this Section.

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

SECTION 3.03. **Ex-Post evaluation.** The Borrower agrees to cooperate, directly or through the Executing Agency, in the evaluation of the Program to be carried out by the Bank after the Program's execution, with the purpose of identifying to what extent objectives of the Program have been

reached, and to provide to the Bank all the information, data and documentation that the Bank may request to carry out said evaluation.

SECTION 3.04. Modification of legal provisions and basic regulations. The parties agree that, if changes are made to the macroeconomic and sector policies indicated in the Policy Letter referred to in Section 3.01 of these Special Conditions, or in the legislation or basic regulations relating to the Executing Agency, that the Bank considers could substantially affect the Program, the Bank shall have the right to request of the Borrower all necessary and reasonable information, with the purpose of determining whether said changes may have a substantial adverse effect in the execution of the Program. The Bank, after receiving and analyzing the information provided by the Borrower, and after consultation with the Borrower, may take the measures it deems necessary in accordance with the provisions of this Contract.

CHAPTER IV

Records, Inspections, and Reports

SECTION 4.01. Records, inspections, and reports. The resources of the Loan will be deposited in the Special Account or in the Special Accounts exclusively designated for the Program. The Borrower agrees to maintain accounting records, and an adequate internal control system, in accordance with Article 7.01 of the General Conditions.

SECTION 4.02. Audits. In accordance with Article 7.01 of the General Conditions of this Contract, the Borrower shall submit to the Bank, upon request of the Bank, and within ninety (90) days following such request, an audited financial report of the use of the resources of the Loan. The report will be duly certified by a firm of public independent accountants acceptable to the Bank, and in accordance with terms of reference previously approved by the Bank.

CHAPTER V

Miscellaneous Provisions

SECTION 5.01. Entry into Effect. The parties agree that this Contract shall enter into effect on the date of its signature.

SECTION 5.02. Termination. The Loan and all the obligations that derive thereof shall be deemed terminated upon full payment of the Loan and all interest and fees, together with other expenses, premiums, and costs arising out this Contract.

SECTION 5.03. Termination of the Trust Fund Agreement. In the event of the grounds indicated in Article 6.02 (b) of the General Conditions of this Contract are invoked, all the rights and obligations referring to the Bank, at the Bank's discretion, may be transferred to The People's Bank of China, thereby releasing the Bank of all responsibility with regards to the Borrower.

SECTION 5.04. Validity. The rights and obligations set forth in this Contract are valid and enforceable in accordance with its terms, regardless of the laws of any given country.

SECTION 5.05. **Communications.** Any notice, request, or communication from one party to another by virtue of this Contract shall be made in writing and shall be considered to have been made when the relevant document is delivered to the addressee at the respective address given below, unless the parties agree otherwise in writing:

For the Borrower:

Mailing address:

Ministry of Finance
Tamarindelaan 3
Onafhankelijkheidsplein
Paramaribo, Suriname

Facsimile: (597) 476-314

For matters relating to Program execution:

Mailing Address:

Central Bank of Suriname
Waterkant 18-20
Paramaribo, Suriname

Facsimile: (597) 476-444

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 VI

Arbitration

SECTION 6.01. **Commitment to Arbitrate.** For the resolution of any controversy which may arise under this Contract and which is not resolved by agreement between the parties, the Borrower and the Bank agree to unconditionally and irrevocably submit themselves to the procedures and ruling of the Arbitration Tribunal referred to in Chapter 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 originals in Paramaribo, Suriname, on the date above written.

REPUBLIC OF SURINAME

INTER-AMERICAN DEVELOPMENT
BANK

/s/ Adelen Wijnerman

/s/ Marco Carlo Nicola

Adelen Wijnerman
Minister of Finance

Marco Carlo Nicola
Representative in Suriname

PART TWO

GENERAL CONDITIONS

CHAPTER I

Application of the General Conditions

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

CHAPTER II

Definitions

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

1. “Amortization Schedule” means the original schedule set forth in the Special Conditions for the payment of amortization installments of the Loan or any modified schedule agreed to between the Parties pursuant to the provisions of Article 3.02 of these General Conditions.
2. “Amortization Schedule Modification Request Letter” means an irrevocable communication from the Borrower to the Bank requesting a modification to the Amortization Schedule.
3. “Amortization Schedule Modification Notification Letter” means a communication by means of which the Bank responds to an Amortization Schedule Modification Request Letter.
4. “Bank” means the Inter-American Development Bank.
5. “Bank's Cost of Funding” means a cost margin calculated quarterly relative to a three (3)-month LIBOR Dollar Interest Rate, using the weighted average cost of funding instruments applicable to the Flexible Financing Facility, expressed in terms of an annual percentage, as determined by the Bank.
6. “Bank Group” means the Bank, the Inter-American Investment Corporation and the Multilateral Investment Fund.

7. “Base Interest Rate” means the rate determined by the Bank at the time of a Conversion execution, based on: (i) the type of interest rate requested by the Borrower; (ii) the Amortization Schedule; (iii) the existing market conditions; and (iv) either: (1) the three (3)-month LIBOR Dollar Interest Rate plus a margin reflecting the Bank’s estimated cost of funding in Dollars at the time of disbursement or Conversion; or (2) the Bank’s actual cost of funding used as a basis for the Conversion; or (3) with respect to Outstanding Loan Balances that have been subject to a previous Conversion, the interest rate in effect for such Outstanding Loan Balances.
8. “Board” means the Board of Executive Directors of the Bank.
9. “Borrower” shall have the meaning assigned to it in the Special Conditions.
10. “Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York or, in case of a Conversion, in the cities listed in the Conversion Request Letter or the Conversion Notification Letter, as the case may be.
11. “Calculation Agent” means the Bank. Any determination made by the Calculation Agent shall be final, conclusive and binding on the parties (except in the case of manifest error), and shall be duly documented and made in good faith and in a commercially reasonable manner.
12. “Contract” means this loan contract.
13. “Conversion” means a modification of the terms of all or any portion of the Loan as requested by the Borrower and accepted by the Bank, under the terms of this Contract, which is an Interest Rate Conversion.
14. “Conversion Date” means the Interest Rate Conversion Date.
15. “Conversion Notification Letter” means the communication by which the Bank informs the Borrower of the financial terms and conditions upon which a Conversion has been effected, in accordance with the Conversion Request Letter sent by the Borrower.
16. “Conversion Period” means, with respect to any Conversion, the period between the Conversion Date and the last day of the interest period in which the Conversion ends, pursuant to its terms. Notwithstanding the foregoing, for purposes of the last payment of principal and interest, the Conversion Period shall end on the day on which interest corresponding to such interest period is paid.

17. “Conversion Request Letter” means an irrevocable communication of the Borrower to the Bank requesting a Conversion, pursuant to Article 5.01 of these General Conditions.
18. “Disbursement Tranche” means, for loans to support policy reforms, the amount or the portion of the resources of the Loan eligible for disbursement once the Borrower has complied with the relevant contractual conditions.
19. “Dollar” means the legal tender of the United States of America.
20. “Execution Period” means the period in Business Days during which the Bank may effect a Conversion as determined by the Borrower in the Conversion Request Letter. The Execution Period starts from the day on which the Conversion Request Letter is received by the Bank.
21. “Executing Agency/Agencies” means the entity/entities responsible for executing all or part of the Program.
22. “Final Amortization Date” means the latest date on which the Loan may be fully repaid, in accordance with the Special Conditions.
23. “Full Term Interest Rate Conversion” means an Interest Rate Conversion for a Conversion Period equal to the period set forth in the Amortization Schedule requested for such Interest Rate Conversion, pursuant to Article 5.04 of these General Conditions.
24. “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.
25. “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 under the Guarantee Contract.
26. “Interest Rate Calculation Convention” means the convention regarding the number of days used to calculate interest payments, as set forth in the Conversion Notification Letter.
27. “Interest Rate Conversion” means: (i) a change of interest rate type with respect to all or part of the Outstanding Loan Balance; or (ii) the establishment of an Interest Rate Cap or an Interest Rate Collar with respect to all or part of the Outstanding Loan Balance; or (iii) any other hedging option that affects the interest rate applicable to all or part of the Outstanding Loan Balance.

28. “Interest Rate Conversion Date” means the effective date of the Interest Rate Conversion upon which the new interest rate applies. This date shall be set forth in the Conversion Notification Letter.
29. “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.
30. The “LIBOR-Based Interest Rate”¹ on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be “USD-LIBOR-BBA”, which is the rate for deposits in Dollars for a period of three (3) months that appears on the Reuters page <LIBOR01> as of 11:00 a.m., London time, on the day that is two (2) London Banking Days preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter. If such rate does not appear on the Reuters page <LIBOR01>, the rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be determined as if the parties had specified “USD-LIBOR-Reference Banks” as the applicable LIBOR Interest Rate. For these purposes, “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

¹ Any capitalized terms used in paragraph 39 of Article 2.01 and not otherwise defined herein shall have the meaning assigned to it 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.

described above, the Bank will determine, at 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.

31. “LIBOR-Based Interest Rate Loan” means any Loan granted by the Bank for disbursement, account registration and repayment in Dollars or which has been fully or partially converted into Dollars and that is subject to a LIBOR-Based Interest Rate, calculated pursuant to Article 3.03(a) of these General Conditions.
32. “Loan” shall have the meaning assigned to it in the Special Conditions.
33. “Loan Tranche” means any of the tranches into which the Loan may be divided as a result of a modification of the Amortization Schedule.
34. “Original Disbursement Period” means the original period for disbursements of the Loan, which is set forth in the Special Conditions.
35. “Original WAL” means the WAL of the Loan in effect as of the date of signature of this Contract and set forth in the Special Conditions.
36. “Outstanding Loan Balance” means the amount that the Borrower owes the Bank for the portion of the Loan that has been disbursed.
37. “Partial Term Interest Rate Conversion” means an Interest Rate Conversion for a shorter Conversion Period than the period set forth in the Amortization Schedule requested for such Interest Rate Conversion, pursuant to Article 5.04 of these General Conditions.
38. “Parties” means the Bank and the Borrower and each of them, indistinctively, a Party.
39. “Payment Valuation Date” means a date that is determined based on a number of Business Days prior to any amortization or interest payment, as specified in a Conversion Notification Letter.
40. “Program” means the policy reform program supported by this Loan.
41. “Prohibited Practices” means the act(s) defined in Article 6.03 of these General Conditions.
42. “Quarter” means each of the following three-month (3-month) periods of the calendar year: the period beginning on January 1st and ending on March 31st; the period

beginning on April 1st and ending on June 30th; the period beginning on July 1st and ending on September 30th and the period beginning on October 1st and ending on December 31st.

43. “Special Conditions” means the entirety of the provisions which comprise Part One of this Contract and contain the particular terms of the operation.
44. “WAL” means the weighted average life, whether the Original WAL or the weighted average life resulting from a modification of the Amortization Schedule. The WAL is calculated in years (to two decimal places) based on the Amortization Schedule of all Loan Tranches and is defined as the division of (i) by (ii) below, where:

(i) is the sum of the products of (A) and (B), defined as:

(A) the amount of each amortization payment;

(B) the difference in the number of days between the amortization payment date and the execution date of this Contract, divided by 365 days;

and

(ii) the sum of amortization payments.

The applicable formula is the following:

$$WAL = \frac{\sum_{j=1}^m \sum_{i=1}^n A_{i,j} \times \left(\frac{PD_{i,j} - ED}{365} \right)}{TA}$$

where:

WAL is the weighted average life of all amortizations, expressed in years.

m is the total number of Loan Tranches.

n is the total number of amortization payments for each Loan Tranche.

A_{i,j} is the amortization amount referring to payment *i* of Loan Tranche *j*, calculated in Dollar equivalent at the exchange rate determined by the Calculation Agent, for the date of modification of the Amortization Schedule.

PD_{i,j} is the payment date referring to payment *i* of Loan Tranche *j*.

ED is the execution date (date of signature) of this Contract.

TA is the sum of all A_{ij} , calculated in Dollar equivalent as of the date of the calculation at the exchange rate determined by the Calculation Agent.

CHAPTER III

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

ARTICLE 3.01. Dates of Payment of Amortization and Interest. The Loan will be amortized in accordance with the Amortization Schedule. Interest and amortization installments will be paid on the fifteenth (15th) day of the respective month, as set forth in the Special Conditions of this Contract, or in an Amortization Schedule Modification Notification Letter, as the case may be. The amortization payment dates shall always coincide with an interest payment date.

ARTICLE 3.02. Modification of the Amortization Schedule. (a) The Borrower, with the prior consent of the Guarantor, if any, may request the modification of the Amortization Schedule at any time from the entry into effect of the Contract up until sixty (60) days prior to the due date for the first amortization installment of the Loan or the Loan Tranche, as the case may be, for which the modification is requested. The Borrower may also request the modification of the Amortization Schedule in the case of an Interest Rate Conversion, as set forth in Article 5.04 of these General Conditions.

(b) For any modifications to the Amortization Schedule, the Borrower shall deliver to the Bank an Amortization Schedule Modification Request Letter, which shall: (i) state whether the proposed modification to the Amortization Schedule is applicable to all or part of the Loan; and (ii) indicate the new amortization schedule, including the first and last amortization dates, the frequency of payments, and the percentage that these payments represent of the total Loan or Loan Tranche thereof for which the modification is requested.

(c) The Bank may accept the requested modifications to the Amortization Schedule, subject to the Bank's operational and risk management considerations and the satisfaction of the following conditions:

- (i) the last amortization date and the cumulative WAL of all the Amortization Schedules exceed neither the Final Amortization Date nor the Original WAL;
- (ii) the Loan Tranche subject to a new Amortization Schedule shall not be less than the equivalent of three million Dollars (US\$3,000,000); and
- (iii) the Loan Tranche subject to the modification of the Amortization Schedule has not been subject to a prior modification.

(d) The Bank will communicate to the Borrower its decision in an Amortization Schedule Modification Notification Letter. If the Bank accepts the Borrower's request, the Amortization Schedule Modification Notification Letter will include: (i) the new Amortization Schedule for the

Loan or Loan Tranche; (ii) the cumulative WAL of the Loan; and (iii) the effective date of the new Amortization Schedule.

(e) To ensure that the cumulative WAL continues to be equal to or less than the Original WAL, in those cases in which an extension to the Original Disbursement Period is granted (i) resulting in an extension of such period beyond a date that is sixty (60) days prior to the due date for the first amortization installment of the Loan or the Loan Tranche, as the case may be, and (ii) when disbursements occur during such extension period, the Amortization Schedule shall be modified. Such modification will consist of moving forward the Final Amortization Date or, if the Loan has different Loan Tranches, moving forward the final amortization date of the Loan Tranche or Loan Tranches from which funds are disbursed during the extension period of the Original Disbursement Period, unless the Borrower expressly requests, in lieu of the foregoing, an increase in the amount of the amortization installment following each disbursement of the Loan or the Loan Tranche, as the case may be, that results in a longer WAL than the Original WAL. With respect to this second option, the Bank will determine the corresponding amount for such amortization installment.

ARTICLE 3.03. Interest. (a) **Interest on Outstanding Loan Balances that have not been subject to Conversion.** To the extent that the Loan has not been subject to a Conversion, the Borrower shall pay interest on daily Outstanding Loan Balances at a LIBOR-Based Interest Rate. In this case, interest shall accrue at an annual rate for each Quarter as determined by the Bank on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter, calculated as follows: (i) the respective LIBOR-Based Interest Rate, plus or minus; (ii) the Bank's Cost of Funding. In addition, the Borrower shall pay, as interest, the applicable lending spread for the Bank's ordinary capital loans.

(b) **Interest on Outstanding Loan Balances that have been subject to Conversion.** If the Outstanding Loan Balances have been subject to a Conversion, the Borrower shall pay interest on the Outstanding Loan Balances converted under such Conversion at: (i) the Base Interest Rate determined by the Bank; plus (ii) the applicable lending spread for the Bank's ordinary capital loans.

(c) **Changes to the interest rate calculation basis.** At any time, due to changes in market practice affecting the determination of the LIBOR-Based Interest Rate and to protect the interest of its borrowers as a whole, and of the Bank in particular, the Bank may apply a different calculation basis for determining the interest rate applicable to the Loan, as long as it provides no less than sixty (60) days prior notice to the Borrower and the Guarantor, if any, of the new applicable calculation basis. The new calculation basis shall become effective on the expiration of the notice period.

ARTICLE 3.04. Credit fee. (a) The Borrower shall pay a credit fee on the undisbursed balance of the Loan, at a percentage set by the Bank periodically during its review of financial charges on ordinary capital loans. The credit fee shall not exceed 0.75% per annum.

(b) The credit fee will begin to accrue sixty (60) days from the date of signature of the Contract.

(c) The credit fee shall cease to accrue: (i) when all disbursements have been made; and (ii) in full or in part, as the case may be, when the Loan has been totally or partially cancelled pursuant to Articles 4.02, 4.06, 4.07 or 6.02 of these General Conditions.

ARTICLE 3.05. Computation of Interest and Credit Fee. The interest and credit fee shall be calculated according to the exact number of days in the respective interest period.

ARTICLE 3.06. Resources for Inspection and Supervision. The Borrower shall not be required to cover the Bank's expenses for general inspection and supervision, unless the Bank establishes otherwise during the Original Disbursement Period as a consequence of its periodic review of financial charges for ordinary capital loans, and notifies the Borrower accordingly. In this case, the Borrower shall indicate whether it will pay the corresponding amount directly to the Bank or whether such amount should be withdrawn and withheld by the Bank from the resources of the Loan. In no case may the Bank charge for a specific semester more than the result of applying one percent (1%) of the Loan amount divided by the number of semesters comprising the Original Disbursement Period.

ARTICLE 3.07. Currency of payment for amortization, interest, credit fee and inspection and supervision expenses. Interest and principal payments, and credit and inspection and supervision fees shall be made in Dollars.

ARTICLE 3.08. Prepayments. (a) **Prepayment of Outstanding Loan Balances denominated in Dollars with LIBOR-Based Interest Rate.** The Borrower may prepay all or part of the Outstanding Loan Balances in Dollars subject to a LIBOR-Based Interest Rate on any interest payment date, provided that it delivers to the Bank a written irrevocable request, with the consent of the Guarantor, if any, at least thirty (30) days in advance. Any such prepayment shall be applied as set forth in Article 3.09 of these General Conditions. In the event that the prepayment does not cover the entire Outstanding Loan Balance, the prepayment shall be applied proportionately to the remaining amortization installments. If the Loan has Loan Tranches with different Amortization Schedules, the Borrower shall prepay individual Tranches in their entirety, unless the Bank agrees otherwise.

(b) **Prepayments of amounts that have been subject to Conversion.** Provided that the Bank is able to unwind or reallocate its corresponding funding, the Borrower, with the consent of the Guarantor, if any, may prepay on any interest payment date set forth in the Amortization Schedule attached to the Conversion Notification Letter all or part of the amount that has been subject to an Interest Rate Conversion. For this purpose, the Borrower shall deliver an irrevocable written request to the Bank at least thirty (30) days in advance. Said request shall specify the amount the Borrower intends to prepay and the Conversion to which such prepayment relates. In the event that the prepayment does not cover the full amount of the Outstanding Loan Balance under such Conversion, the prepayment shall be applied proportionately to the remaining amortization installments of such Conversion. The Borrower may not prepay converted amounts in an amount less than the equivalent of three million Dollars (US\$3,000,000), unless the remaining Outstanding Loan Balance of the respective Conversion is less than such amount and is paid in full.

(c) For purposes of paragraphs (a) and (b) above, the following payments shall be considered as prepayments: (i) the return of unjustified Advances of Funds; and (ii) payments resulting from all or a part of the Loan being declared immediately due and payable, pursuant to Article 6.02 of these General Conditions.

(d) Notwithstanding paragraph (b) above, in the event of a prepayment, the Borrower shall receive from the Bank, or alternatively, shall pay the Bank, as applicable, any gain or loss incurred by the Bank as a result of unwinding or reallocating its corresponding funding, as determined by the Calculation Agent. In case of a gain, it will be credited first to any amounts due and payable by the Borrower. In case of a loss, the Borrower shall pay the corresponding amount concurrently on the prepayment date.

ARTICLE 3.09. Application of Payments. All payments shall be applied first to fees and interest due on the payment date, and if a balance exists, to the amortization of installments of principal due.

ARTICLE 3.10. Transactions Falling Due on Non-Business Days. Any payment or other transaction which, pursuant to this Contract, should be effected on a day other than a Business Day, shall be considered validly effected if made on the first Business Day immediately thereafter, and in such case no penalty whatsoever shall apply.

ARTICLE 3.11. 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 3.12. Assignment. Upon request from The People's Bank of China, the Bank may assign its rights and obligations under this Contract to the People's Bank of China. The Bank shall promptly notify the Borrower of such assignment. The Borrower accepts that, in the event of such assignment, the Bank will be released from all responsibility with regards to the Borrower under this Contract, and all obligations will be thereafter owed by The People's Bank of China, without further notification or approval.

CHAPTER IV

Conditions Relating to Disbursements

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

(a) The Bank shall have received one or more well-founded legal opinions which establish, with citations of the pertinent constitutional, legal, and regulatory provisions, that the obligations undertaken by the Borrower in this Contract, and those of the Guarantor, if any, in the Guarantee Contract, are valid and enforceable. Such opinions shall also refer to any other legal question that the Bank may reasonably deem relevant.

(b) The Borrower, directly or through the Executing Agency, if any, shall have designated one or more officials to represent it in all acts relating to the implementation of this Contract and shall have furnished the Bank with authentic copies of the signatures of said representatives. Should two or more officials be designated, the designation shall indicate whether such officials may act separately or must act jointly.

(c) The Borrower, either directly or through the Executing Agency, as the case may be, shall have presented to the Bank information regarding the special bank account in which the Bank shall deposit the disbursements of the Loan; and

(d) The Borrower, either directly or through the Executing Agency, as the case may be, shall have submitted in writing a disbursement request in accordance with the terms and conditions established in Article 4.03 hereof.

ARTICLE 4.02. Period for Fulfilling the Conditions Precedent to First Disbursement. If within sixty (60) days from the effective date of this Contract, or within such longer period as the parties may agree in writing, the conditions precedent to the first disbursement established in Article 4.01 of these General Conditions and in the Special Conditions have not been fulfilled, the Bank may terminate this Contract by giving notice to the Borrower.

ARTICLE 4.03. Requisites for All Disbursements. For the Bank to make any disbursement, it shall be necessary that: (a) the Borrower or the Executing Agency, as the case may be, shall have submitted in writing, or by electronic means in such form and conditions as may be specified by the Bank, a disbursement request and, in support thereof, shall have supplied to the Bank such pertinent documents and other background materials as the Bank may have required; (b) the Borrower or the Executing Agency, as the case may be, maintains open the special bank account referred to in Article 4.01(c) of these General Conditions; (c) unless the Bank otherwise agrees, disbursement requests must be presented no later than thirty (30) days in advance of the date of expiration of the Original Disbursement Period or any extension thereof; (d) none of the circumstances described in Article 6.01 of these General Conditions shall have occurred; and (e) 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. Disbursement Procedures. The Bank may make disbursements against the Loan, as follows: (a) by transferring to the Borrower the sums to which it is entitled under this Contract to be deposited in the special bank account referred to in Articles 4.01(c) and 4.03(b) of these General Conditions; (b) by making payments on behalf of and in agreement with the Borrower to other bank entities; and (c) any other method agreed to in writing by the parties. 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 each time only in amounts of not less than five percent (5%) of the total amount of the Loan.

ARTICLE 4.05 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 4.06. Renunciation of Part of the Loan. 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 Loan which has not been disbursed before the receipt of the notice.

ARTICLE 4.07 Automatic Cancellation of Part of the Loan. Unless the Bank and the Borrower and the Guarantor, if any, expressly agree in writing to extend the term of the Original Disbursement Period, that portion of the Loan not committed or disbursed, as the case may be at the expiration of said period or extensions thereof, shall automatically be canceled.

CHAPTER V

Conversions

ARTICLE 5.01. Exercise of Conversion Options. (a) The Borrower may request an Interest Rate Conversion by delivering to the Bank an irrevocable "Conversion Request Letter" in form and substance satisfactory to the Bank, indicating the financial terms and conditions requested by the Borrower for the respective Conversion. The Bank may provide the Borrower with a form of Conversion Request Letter.

(b) The Conversion Request Letter shall be signed by a duly authorized representative of the Borrower, with the consent of the Guarantor, if any, and shall contain at least the following information:

- (i) (A) Loan number; (B) amount subject to Conversion; (C) Conversion type (Interest Rate Conversion); (D) account number where funds shall be deposited, if applicable; and (E) Interest Rate Calculation Convention.
- (ii) (A) type of interest rate requested; (B) the portion of the Outstanding Loan Balance to which the Interest Rate Conversion shall apply; (C) whether the Interest Rate Conversion is a Partial Term Interest Rate Conversion or a Full Term Interest Rate Conversion; (D) the Amortization Schedule associated with the Interest Rate Conversion, which may have an amortization period equal to or less than the Final Amortization Date; and (E) any other instructions regarding the Interest Rate Conversion request.

(c) Any principal amount payable during the period of fifteen (15) days prior to the beginning of the Execution Period until and including the Conversion Date may not be subject to a Conversion and shall be paid pursuant to the terms applicable prior to the execution of the Conversion.

(d) Once the Bank has received a Conversion Request Letter, it will proceed to review it. If it finds it acceptable, it will effect the Conversion during the Execution Period pursuant to the terms of this Chapter V. Once the Conversion has been effected, the Bank will deliver a Conversion Notification Letter to the Borrower indicating the financial terms and conditions of the Conversion.

(e) If the Bank determines that the Conversion Request Letter does not comply with the requirements provided in this Loan Contract, it shall so notify the Borrower during the Execution Period. The Borrower may deliver a new Conversion Request Letter, in which case the Execution Period for this Conversion will start from the time the Bank receives the new Conversion Request Letter.

(f) If the Bank cannot effect the Conversion pursuant to the terms requested by the Borrower in the Conversion Request Letter within the Execution Period, such Conversion Request Letter shall be considered null and void, without prejudice to the Borrower's right to deliver a new Conversion Request Letter.

(g) If a national or international catastrophe, a financial or economic crisis, a change in the capital markets or any other extraordinary circumstance occurs during the Execution Period that, in the opinion of the Bank, may have a material negative impact on its ability to effect a Conversion, the Bank shall so inform the Borrower and agree on the actions to be taken regarding the Conversion Request Letter.

ARTICLE 5.02. Conversion Requirements. Any Conversion shall be subject to the following requirements:

(a) The feasibility of the Bank to execute any Conversion will be subject to legal, operational and risk management considerations and prevailing market conditions.

(b) The Bank will not execute Conversions on amounts that are less than the equivalent of three million Dollars (US\$3,000,000), unless (i) in the case of the last disbursement, the undisbursed amount is less, or (ii) in the case of a fully disbursed Loan, the Outstanding Loan Balance under any Loan Tranche is less.

(c) The number of Interest Rate Conversions may not exceed four (4) during the term of this Contract.

(d) Any modification to the Amortization Schedule requested by the Borrower at the time of requesting an Interest Rate Conversion shall be subject to the provisions of Articles 3.02 (c) and 5.04 (b) of these General Conditions.

(e) The Amortization Schedule defined in the Conversion Notification Letter, resulting from an Interest Rate Conversion, may not be subsequently modified during the Conversion Period, unless the Bank agrees otherwise.

ARTICLE 5.03. Partial or Full Term Interest Rate Conversion. (a) The Borrower may request a Full Term Interest Rate Conversion or a Partial Term Interest Rate Conversion.

(b) A Full Term Interest Rate Conversion and a Partial Term Interest Rate Conversion may be effected at any time until the Final Amortization Date. Notwithstanding the foregoing, if the Borrower makes a request within less than sixty (60) days prior to the due date for the first

amortization installment of the Loan or the Loan Tranche, as the case may be, any such Interest Rate Conversion will be subject to the limitation that the Outstanding Loan Balance under the new Amortization Schedule requested for the Conversion shall at no time exceed the Outstanding Loan Balance under the original Amortization Schedule.

(c) In the case of Partial Term Interest Rate Conversion of amounts denominated in Dollars, the Borrower shall include in the Conversion Request Letter: (i) the Amortization Schedule for the period up to expiration of the Conversion Period; and (ii) the Amortization Schedule for the Outstanding Loan Balance payable from the expiration of the Conversion Period to the Final Amortization Date, which shall correspond to the terms and conditions applicable prior to effecting the Interest Rate Conversion.

(d) In the case of a Partial Term Interest Rate Conversion on amounts denominated in Dollars, the interest rate applicable to the Outstanding Loan Balances upon the expiration of the Partial Term Interest Rate Conversion shall be the interest rate set forth in Article 3.03(a) of these General Conditions.

ARTICLE 5.04. Transaction fees applicable to Conversions. (a) The transaction fees applicable to Conversions shall be determined by the Bank from time to time. Each Conversion Notification Letter shall indicate, if applicable, the transaction fee the Borrower shall be required to pay for the execution of the respective Conversion, which fee shall remain in effect throughout the Conversion Period of such Conversion.

(b) The transaction fee applicable to an Interest Rate Conversion: (i) shall be expressed in the form of basis points per annum; (ii) shall accrue in the currency of denomination of the Outstanding Loan Balance subject to such Interest Rate Conversion; (iii) shall accrue, from and including the Conversion Date, on the Outstanding Loan Balance subject to the Interest Rate Conversion ; and (iv) shall be paid together with the interest payments, as set forth in Article 5.05 of these General Conditions.

ARTICLE 5.05. Funding Expenses and Premiums or Discounts Associated with a Conversion. (a) In the event that the Bank uses its actual cost of funding to determine the Base Interest Rate, the Borrower shall pay all fees and expenses incurred by the Bank in sourcing its funding.

(b) Accordingly, when a Conversion is effected in connection with a disbursement, the amount to be disbursed to the Borrower shall be adjusted to deduct or to add any amounts owed by or due to the Borrower as described in paragraph (a) above.

(c) Alternatively, when a Conversion is effected on Outstanding Loan Balances, the amounts owed by or due to the Borrower as described in paragraph (a) above, shall be paid by the Borrower or the Bank, as the case may be, within thirty (30) days from the Conversion Date.

ARTICLE 5.06. Market Quotes Disruption Events. The parties acknowledge that the amortization and interest payments made by the Borrower in connection with amounts subject to a Conversion, shall at all times be linked to the corresponding funding of the Bank in relation to payments under such Conversion. Therefore, the Parties agree that, notwithstanding the occurrence of any disruption event that may materially affect the currency exchange rates, interest rates and inflation adjustment index used in this Contract, if any, or in any Conversion Notification Letter, the Borrower's payments shall remain linked to the Bank's funding. For purposes of obtaining and maintaining such link under such circumstances, the parties expressly agree that the Calculation Agent, acting in good faith and in a commercially reasonable manner, seeking to reflect the Bank's corresponding funding, shall determine the applicability of: (a) such disruption events; and (b) the replacement rate or index applicable to determine the appropriate amount to be paid by the Borrower.

ARTICLE 5.07. Costs, expenses or losses in case of Conversions. If an action or omission by the Borrower, or the Guarantor, if any, including: (a) nonpayment of principal, interest and fees relating to a Conversion on the due dates; (b) revoking or changing the terms set forth in the Conversion Request Letter; or (c) other actions not described above, results in the Bank incurring additional costs to those described in this Contract, the Borrower shall pay the Bank such amounts, as determined by the Calculation Agent, to ensure a full transfer of the costs incurred by the Bank.

CHAPTER VI

Suspension of Disbursements and Accelerated Maturity

ARTICLE 6.01. Suspension of Disbursements. The Bank, by written notice to the Borrower, may suspend disbursements if any of the following circumstances occurs and so long as it continues:

(a) Delay in the payment of any sums owed by the Borrower to the Bank for principal, fees, interest, return of Advances of Funds or for any other reason, under this Contract or any other contract entered into between the Bank and the Borrower, including another Loan Contract or Derivatives Contract.

(b) Nonfulfillment by the Borrower of the Program agreed to by the Bank or of any other obligation set forth in this Contract or in any other contract entered into with the Bank for the financing of the Project or in any Derivative Contract signed with the Bank.

(c) Withdrawal or suspension from membership in the Bank of the country in which the Program is to be executed.

(d) The Program or the purposes of the Loan may be affected by any restriction, of the legal capacity or modification or alteration of the functions or assets of the Borrower or the Executing Agency. In such cases, the Bank will have the right to require the Borrower for purposes of weighing whether the change or changes, have or may have, a negative impact on the execution of the Program to provide reasoned and detailed information. Only after hearing the Borrower and weighing the information or clarification received, or if the Borrower fails to respond, prior to the date of the following disbursement, may the Bank suspend disbursements if it considers that the

modifications made affect the Program materially and unfavorably or render its execution impossible.

(e) The non-compliance on the part of the Guarantor, if any, of any obligation set forth in the Guarantee Contract or in any Derivatives Contract signed with the Bank.

(f) When the Borrower is not a member country, any extraordinary circumstance which, in the opinion of the Bank, makes it unlikely that the Borrower will be able to comply with the obligations established in this Contract or to fulfill the purposes for which it was entered into.

(g) If it is determined, in accordance with the sanctions procedures of the Bank, that an employee, agent, or representative of the Borrower or the Executing Agency, has engaged in a Prohibited Practice during the execution of the Program or in the use of the resources of the Loan or if an employee, agent or representative of the Borrower or Executing Agency is declared temporarily ineligible for the award of new contracts pending the final decision in the sanctions process, or any resolution.

(f) The delay or non-compliance by The People's Bank of China of its obligations under the Trust Fund Agreement entered into between said institution and the Bank, for the establishment of the China Co-financing Fund for Latin America and the Caribbean.

ARTICLE 6.02. Termination, Accelerated Maturity, or Partial Cancellation of Undisbursed Balances and other Measures. The Bank may terminate this Contract with respect to the part of the Loan not yet disbursed or may declare the entire Loan or a portion thereof immediately due and payable, together with interest and fees accrued up to the date of payment if:

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

(b) The Trust Fund Agreement signed between the Bank and The People's Bank of China for the establishment of the China Co-financing Fund for Latin America and the Caribbean is terminated pursuant to the terms of said Agreement;

(c) If, according to the Bank's sanctions procedures, it is determined that the Borrower, Executing Agency or an employee, agent or representative of these, has committed a Prohibited Practice during the execution of the Program or in the use of the resources the Loan, provided there is evidence that the Borrower or the Executing Agency, as the case may be, has not taken adequate remedial measures (including, *inter alia*, providing adequate notice to the Bank upon learning of the Prohibited Practice) within a period of time the Bank considers reasonable; or

(d) 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, if any, are not satisfactory to the Bank.

ARTICLE 6.03 Prohibited Practices. (a) For the purposes of this Contract, “Prohibited Practice” shall be understood to include the following practices: (i) a “corrupt practice”, is the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party; (ii) a “fraudulent practice”, is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation; (iii) a “coercive practice”, is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to improperly influence the actions of a party; (iv) a “collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party; and (v) an “obstructive practice”, is (A) deliberately destroying, falsifying, altering or concealing evidence material to the investigation or making false statements to investigators in order to materially impede an investigation by the Bank Group into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (B) acts intended to materially impede the exercise of the Bank’s rights of audit or access to information provided in the Contract.

(b) If, under the provisions of Articles 6.01 (g) and 6.02 (c) of these General Conditions it is determined, in accordance with the Bank's sanctions procedures, that the Borrower, Executing Agency or an employee, agent or representative of these, has engaged in a Prohibited Practice, the Bank may:

- (i) issue a reprimand against the firm, entity or individual engaged in the Prohibited Practice in the form of a formal letter of censure for its behavior;
- (ii) declare any entity or individual engaged in a Prohibited Practice ineligible, either permanently or for a stated period of time, to (A) be awarded or participate in contracts under activities financed by the Bank; and (B) be a nominated sub-consultant, sub-contractor, supplier or service provider of an otherwise eligible firm being awarded a Bank-financed contract;
- (iii) refer the matter to appropriate law enforcement authorities; and/or
- (iv) impose other sanctions that it deems to be appropriate under the circumstances, including the imposition of fines representing reimbursement to the Bank for costs associated with investigations and proceedings.

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

(d) The Borrower, Executing Agency or an employee, agent or representative of these, may be subject to sanctions pursuant to agreements the Bank may have with other international financial institutions regarding the mutual enforcement of debarment decisions. For purposes of this paragraph (d) the term “sanction” shall mean any permanent debarment, conditions on future

contracting or any publicly-disclosed action taken in response to a violation of an international financial institution's applicable framework for addressing allegations of Prohibited Practices.

ARTICLE 6.04. 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 6.05. 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 VII

Records, Inspections and Reports

ARTICLE 7.01. Internal Control and Records. The Borrower or the Executing Agency, as the case may be, shall maintain an appropriate system of internal accounting and administrative controls. The accounting system shall be organized so as to provide the necessary documentation to permit the verification of transactions and facilitate the timely preparation of financial and account statements and reports. The records of the Program shall be maintained for a minimum of three (3) years after the date of final disbursement of the Loan, in such a way that: (a) make it possible to identify the sums received from the Bank; and (b) allow the identification of the information related with the execution of the Program or the use of the resources of the Loan.

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

(b) The Borrower and the Executing Agency, if any, shall permit the Bank to inspect at any time the records and documents the Bank may deem pertinent, providing all documents, including on costs incurred under the Loan, which the Bank may reasonably request. The Borrower or the Executing Agency, as the case may be, shall produce the documents in a timely manner or shall submit an affidavit to the Bank setting forth the reasons why the requested material is unavailable or is being withheld. In addition, the Borrower and the Executing Agency shall make their personnel available, upon reasonable notice, to respond to questions from Bank personnel, which arise during the review or audit of such documents.

(c) In relation to the investigation of allegations of Prohibited Practices, the Borrower and the Executing Agency, if any, shall provide full assistance to the Bank in the investigation, will deliver all documents deemed necessary for the investigation and will ensure that those employees or agents who are aware of the Bank-financed activities be available to respond to inquiries within the context of an investigation, be it from Bank personnel or from any investigator, agent, auditor or consultant duly assigned to the investigation.

(d) The personnel that the Bank shall send or designate as investigators, agents, auditors or experts for 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.

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

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 upon the person who is to act as Referee, either party may request the Secretary General of the Organization of American States to make the appointment.

ARTICLE 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.