

LOAN CONTRACT No. 2116/OC-JA

between the

GOVERNMENT OF JAMAICA

and the

INTER-AMERICAN DEVELOPMENT BANK

Liquidity Program for Growth Sustainability

January 19, 2009

LOAN CONTRACT

SPECIAL CONDITIONS

INTRODUCTION

Parties, Purpose, Constituent Elements, and Executing Agency

1. PARTIES AND PURPOSE OF THE CONTRACT

CONTRACT entered into on January 19, 2009, between the GOVERNMENT OF JAMAICA (hereinafter referred to as the “Borrower”) and the INTER-AMERICAN DEVELOPMENT BANK (hereinafter referred to as the “Bank”) to cooperate in the execution of a liquidity program for growth sustainability (hereinafter referred to as the “Program”) in order to provide liquidity to maintain credit flows to the real economy, partially compensating, on a temporary basis, shortfalls in the normal credit flows to Jamaica caused by the worldwide financial crisis. The major aspects of the Program are described in detail in the Annex.

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

(a) This Contract consists of these Special Conditions, the General Conditions, and the Annex, which are attached hereto. If any provision of the Special Conditions or the Annex should present any inconsistency or contradiction with the General Conditions, the provisions of the Special Conditions or the Annex, as the case may be, shall prevail. In case of inconsistencies or contradictions between the Special Conditions or the Annex, specific rules shall prevail over general rules. In particular, the following provisions of the General Conditions shall not be applicable to this Contract: (i) the definitions of “Single Currency,” “Single Currency Facility,” “Single Currency Facility Loan with an Adjustable Interest Rate,” “Single Currency Facility Loan with a LIBOR-Based Interest Rate,” “Cost of Single Currency Qualified Borrowings with an Adjustable Interest Rate,” “Cost of Single Currency Qualified Borrowings with a LIBOR Interest Rate,” “Single Currency Qualified Borrowings,” “Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter” and “LIBOR Interest Rate” of Article 2.01; (ii) Article 3.04; and (iii) Article 4.01(g).

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

3. EXECUTING AGENCY

The parties agree that the execution of the Program and the utilization of the resources of the financing granted by the Bank shall be carried out in their entirety by the Borrower, through the Development Bank of Jamaica (hereinafter referred to as the "Executing Agency" or "DBJ"). The Borrower gives its assurance as to the legal and financial capacity of DBJ to function as the Executing Agency 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.

4. SPECIAL DEFINITIONS

For the purposes of this Contract, the following special definitions are hereby adopted, in addition to the definitions contained in Chapter II of the General Conditions:

- “AFIs” or “Approved Financial Intermediaries” are the first-tier (retail) financial institutions eligible to borrow Program funds from the Development Bank of Jamaica and on-lend them to the sub-borrowers
- “Liquidity Program for Growth Sustainability” means the program approved by the Executive Board of the Bank (document GN-2492-3), as well as by the Board of Governors of the Bank by Resolution AG-9/08 on November 5, 2008,
- “sub-borrowers” are private sector firms (including small and medium size enterprises), that borrow Program funds from AFIs to finance their short term working capital needs or trade finance operations.
- “sub-loans” mean the loans the eligible AFIs participating in the Program make to the sub-borrowers.

CHAPTER I

Costs, Financing and Additional Resources

SECTION 1.01 Cost of the Program. The total cost of the Program is estimated to be the equivalent of three hundred million dollars of the United States of America (US\$300,000,000). Unless otherwise stated in this Contract, the term “dollars” hereinafter signifies the currency of legal tender in the United States of America.

SECTION 1.02 Amount of the Financing. In accordance with this Contract, the Bank agrees to grant to the Borrower, and the Borrower accepts, a “Financing,” chargeable to the resources of the Liquidity Program for Growth Sustainability of the ordinary capital resources of the Bank, of up to the amount of three hundred million dollars (US\$300,000,000). The amounts disbursed from the Financing shall constitute the “Loan.”

SECTION 1.03 Currency Availability. Notwithstanding Sections 1.02 and 3.01(a) of these Special Conditions, if the Bank is unable to obtain access to dollars, the Bank may disburse

in any other Convertible Currency of its choice, until such time as it is able to regain access to dollars. Amortization payments shall be made in the Convertible Currency disbursed, and interest and other financial charges shall be those which correspond to such currency.

CHAPTER II

Amortization, Interest, Front-End and Credit Fees

SECTION 2.01 **Amortization.** The Loan shall be completely repaid by the Borrower by means of semiannual, consecutive, and, insofar as possible, equal installments. The first installment shall be paid on the first interest payment date immediately following the date which is three (3) years from the date of signature of this Contract, taking into account the provisions of Article 3.01 of the General Conditions, and the last installment shall be paid no later than the date which is five (5) years from the date of signature of this Contract.

SECTION 2.02 **Interest.** (a) The Borrower shall pay interest on the daily outstanding balances of the Loan, at a rate per annum for each semester equivalent to London Inter-Bank Offer Rate ("LIBOR"), plus a spread of four percent (4%).

(b) Article 3.04 of the General Conditions shall not be applicable to this Contract.

(c) Interest shall be payable semiannually on the 15th day of the months of February and August of each year, beginning on August 15, 2009, taking into account the provisions of Article 3.01 of the General Conditions.

(d) For purposes of subsection (a) above, LIBOR for each semester means the rate of interest at which deposits in dollars are offered at the London interbank market for a period of six (6) months commencing on the first day of the corresponding semester. In the case that an interest period is inferior to a semester, the applicable LIBOR shall be the rate nearest to the period (i) between the disbursement date and the following interest payment date, or (ii) between the interest payment date immediately preceding the final amortization payment date, and the final amortization payment date. The rate shall be determined two (2) business days prior to its effective date and shall be expressed in a percentage per annum as the Bank reasonably determines. The Bank shall notify the Borrower the interest rate applicable to each period as soon as practicable after the determination thereof.

(e) In the event of changes in market practices affecting the determination of LIBOR, the Bank may determine that it is in the interest of its borrowers and of the Bank to apply a different basis for determining the interest rate applicable to the Loan other than as provided in this Section 2.02. In those cases, the Bank may modify the basis for determining the interest rate applicable to the Loan upon at least six (6) months' prior notice to the Borrower regarding the new basis. That new basis shall become effective on the expiration date established in the notice, unless the Borrower notifies the Bank during said period of its objection thereto, in which case that modification shall not apply to the Loan.

SECTION 2.03 Front-End Fee. From the amount of the Financing, the equivalent of three million dollars (US\$3,000,000), which is equivalent to one percent (1%) of the total amount of the Financing, is hereby allocated to the Bank to cover the front-end fee. Said sum shall be entered as a credit to the general accounts of the Bank, in a single installment, within thirty (30) days from the date of signature of this Contract, without the necessity of a request from the Borrower, upon satisfaction of the conditions established in Article 4.01 of the General Conditions (except for the condition established in subsection (g) of that Article, which shall not be applicable to this Contract) and Section 3.02 of these Special Conditions.

SECTION 2.04 Credit Fee. For purposes of Article 3.02 of the General Conditions, the Borrower shall pay a credit fee of 0.75% per annum on the undisbursed amount, which shall accrue beginning sixty (60) days after the date of signature of this Contract.

CHAPTER III

Disbursements

SECTION 3.01 Currencies of Disbursement and Use of Funds. (a) The amount of the Financing shall be disbursed in dollars from the Liquidity Program for Growth Sustainability of the ordinary capital resources of the Bank, or the equivalent thereof in other currencies included in the ordinary capital of the Bank, to pay for goods and services acquired through international competitive bidding and for such other purposes as are indicated in this Contract.

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

SECTION 3.02 Special Conditions Prior to First Disbursement. In addition to the conditions precedent stipulated in Article 4.01 of the General Conditions (except for the condition established in subsection (g) of that Article, which shall not be applicable to this Contract), the first disbursement of the Financing shall be subject to the fulfillment, to the satisfaction of the Bank, of the following requirements:

- (a) an agreement between the Borrower and the Executing Agency, governing their relationship in connection with the execution of the Program, has been executed and is in force in the terms approved previously by the Bank, and a complete copy of that signed agreement has been provided to the Bank; and
- (b) the Credit Rules and Regulations (hereinafter referred to as the “CRR”) are in force in the terms approved previously by the Bank, and evidence thereof has been provided to the Bank.

SECTION 3.03 Reimbursement of Expenditures Chargeable to the Financing. With the consent of the Bank, up to the equivalent of twenty five percent (25%) of the resources of the Financing, may be used to reimburse expenditures incurred or to finance those that may be incurred in the Program before January 14, 2009 but after November 26, 2008, provided that requirements substantially similar to those set forth in this Contract have been fulfilled. It is

understood that, with the consent of the Bank, the resources of the Financing may also be used to reimburse expenditures incurred or to finance those that may be incurred in the Program on or after January 14, 2009 and up to the date of signature of this Contract, provided that the requirements set forth above have been substantially fulfilled.

SECTION 3.04 Disbursement Period. The period for the final disbursement of the resources of the Financing shall expire twelve (12) months from the date of signature of this Contract. If at the end of that twelve (12) month period, fifty percent (50%) or more of the resources of the Financing has been disbursed, the Borrower shall have an automatic right to request an extension of the disbursement period, which extension shall not to exceed six (6) months. However, if at the end of that twelve (12) month period, less than fifty percent (50%) of the resources of the Financing has been disbursed, an extension of the disbursement period, not to exceed six (6) months, shall only be granted by an agreement in writing between the Borrower and the Bank. Any part of the Financing that has not been disbursed within the period mentioned above, including any extension thereto, as the case may be, shall be automatically cancelled.

SECTION 3.05 Revolving Fund. (a) For the purposes of the provisions set forth in Article 4.07(b) of the General Conditions, the amount of the revolving fund shall not exceed ten percent (10%) of the amount of the Financing.

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

CHAPTER IV

Execution of the Program

SECTION 4.01 Utilization of the Resources of the Financing. (a) With the resources of the Financing, the Borrower, through the Executing Agency, shall provide revolving lines of credit to eligible Approved Financial Institutions (hereinafter, each, an "AFI") operating in the Jamaican financial system, which are the entities responsible for the concession of sub-loans, who may grant sub-loans to private sector firms, including small and medium size enterprises, to finance short term working capital needs or trade finance operations. Unless otherwise agreed in writing between the Bank and the Borrower, eligible AFIs shall be banks, licensed, regulated and monitored by the Bank of Jamaica, and comply with the other requirements set forth in the CRR.

(b) Unless otherwise agreed in writing between the Bank and the Borrower, all lines of credit provided to eligible AFIs by the DBJ shall comply with the following requirements: (i) shall be fully collateralized in the form of securities issued or guaranteed by the Government of Jamaica or by the Bank of Jamaica (BOJ) or other liquid assets of equivalent quality; (ii) shall have a maximum term of thirty six (36) months, or such other period as established in the CRR; (iii) shall be denominated in dollars; and (iv) comply with the other requirements set forth in the CRR. Unless otherwise agreed in writing between the Bank and the Borrower, AFIs shall have a

period of thirty (30) days, or such other period as established in the CRR, to justify the use of the resources of the Financing for the corresponding sub-loans to the DBJ, and each AFI shall keep the credit risk of the sub-loans entirely in its books.

(c) During the execution of the Program, the Borrower and the Executing Agency, as well as the Bank, shall periodically review the interest rates on the loans made by the DBJ to the AFIs. If necessary, the Borrower and the Executing Agency shall take appropriate measures, consistent with the economic policies of the country, in order to harmonize the interest rates on such loans with the policy objective sought by the Bank.

(d) All sub-loans granted by the AFIs with the resources of the Financing, shall comply with the following requirements:

- (i) be used to finance working capital or trade finance operations;
- (ii) have a term not greater than thirty six (36) months;
- (iii) comply with the general credit regulations enacted by the Bank of Jamaica; and
- (iv) comply with the other requirements set forth in the CRR.

(e) The AFIs shall on-lend program funds to the sub-borrowers on terms and conditions regarding interest, commissions, insurance, or any other charge, at an annual rate or rates as determined by the lending AFI.

(f) The AFIs shall not grant under the Program, with the resources of the Financing, sub-loans to any person, natural or legal, that conducts activities that fall within the negative list of that could be deemed environmentally pernicious. This condition shall be provided for in more detail in the CRR. Environmental and social aspects relating to the sub-loans will be required to comply with applicable legislation of Jamaica.

SECTION 4.02 Other Conditions of the Sub-Loans. All sub-loans granted by the AFIs with the resources of the Financing, shall include, among the conditions required from each sub-borrower, at least the following:

- (a) the commitment of the beneficiary that the resources of the sub-loan shall be used exclusively to finance working capital needs or trade finance operations in conformity with the terms of this Contract;
- (b) the right of the Borrower, Executing Agency, AFIs and of the Bank to inspect the documents, record and other information related to the Program;
- (c) the obligation to furnish all information that the Borrower, Executing Agency and AFIs may reasonably request of the sub-borrower with respect to the activities financed with program resources and the financial situation of the sub-borrower;

- (d) the right of the AFIs to suspend disbursements of the sub-loan if the sub-borrower does not fulfill its obligations;
- (e) the establishment by the sub-borrower of the appropriate specific guarantees in favor of the AFIs; and
- (f) a representation by the sub-borrower that it is not engaged in the excluded activities (as specified in the CRR) and it is in compliance with all applicable environmental laws.

SECTION 4.03 Assignment of Sub-Loans. With respect to sub-loans granted from the resources of the Loan, the AFIs shall agree to: (a) maintain them in its portfolio free of all encumbrances; and (b) request and obtain the prior approval of the Bank in cases in which it proposes to sell, assign or transfer them to third parties.

SECTION 4.04 Modification of Legal Provisions and Basic Regulations, or Credit Regulations. In addition to the provisions of Article 6.01(b) of the General Conditions, the parties agree that: (a) the conditions for the Borrower and the Executing Agency as set forth in Article 5.01(d) of the General Conditions will be applied to AFIs that participate in the Program; and (b) the written consent of the Bank shall be required for any change in the Credit Regulations relating to the Program.

SECTION 4.05 Use of Funds from Repayment of Sub-Loans. Funds arising from the repayment of sub-loans granted from the resources of the Program, to the extent they accumulate in excess of the amounts required for the service of the Loan, shall be either repaid back to the Executing Agency or be utilized only for the granting of new sub-loans which conform substantially to the conditions set forth in this Contract, unless the Bank and the Borrower agree to another use for such funds, without departing from the basic objectives of the Financing.

SECTION 4.06 Evaluations. (a) The Borrower, through the Executing Agency, will provide all the information required in order for the Bank to carry out the following evaluations:

- (i) At the end of two (2) years from the date of signature of this Contract, an intermediate evaluation report on the results of the Program; and
- (ii) At the end of sixty (60) days after the date of payment of the final amortization of the Financing, a final evaluation report on the results of the Program.

(b) These evaluations will assess the compliance with the objectives of the Program and its impact taking as benchmarks the parameters established in the Results Matrix. The evaluations will be financed by the Bank.

CHAPTER V

Records, Inspections, and Reports

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

SECTION 5.02 **Audits.** With respect to the provisions of Article 7.03 of the General Conditions, the Borrower, through the Executing Agency, undertakes to present, to the satisfaction of the Bank, the financial statements of the Program on an annual basis, throughout the period of execution of the Program, duly certified by a firm of independent public accountants acceptable to the Bank, in accordance with Bank policies and procedures. The Audits of the statements will be financed with resources of the Financing.

CHAPTER VI

Miscellaneous Provisions

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

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

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

SECTION 6.04 **Communications.** Any notice, request, or communication from one party to another by virtue of this Contract shall be made in writing and shall be considered to have been made when the relevant document is delivered to the addressee at the respective address given below, unless the parties agree otherwise in writing:

For the Borrower:

Mailing address:

Attention: Financial Secretary
Ministry of Finance and the Public Service
30 National Heroes Circle
Kingston 4, Jamaica

Facsimile: (876) 924-9291

For matters related to execution of the Program:

Mailing address:

Attention: Managing Director
Development Bank of Jamaica
11a - 15 Oxford Road
Kingston 5, Jamaica W.I.

Facsimile: (876) 929-6055

with a copy (without constituting notice) to the Borrower:

Mailing address:

Attention: Financial Secretary
Ministry of Finance and the Public Service
30 National Heroes Circle
Kingston 4, Jamaica

Facsimile: (876) 924-9291

For the Bank:

Mailing address:

Inter-American Development Bank
1300 New York Avenue, N.W.
Washington, D.C. 20577
U.S.A.

Facsimile: (202) 623-3096

CHAPTER VII

Arbitration

SECTION 7.01 **Commitment to Arbitrate.** For the solution of any controversy which may arise out of this Contract and which is not resolved by agreement between the parties, they unconditionally and irrevocably submit themselves to the procedure and ruling of the Arbitration Tribunal referred to in Chapter IX of the General Conditions.

IN WITNESS WHEREOF, the Borrower and the Bank, each acting through its authorized representative, have signed this Contract, in two (2) equally authentic copies in Kingston, Jamaica, on the date above written.

GOVERNMENT OF JAMAICA

INTER-AMERICAN DEVELOPMENT
BANK

/s/ Audley Shaw

/s/ Luis Alberto Moreno

Audley Shaw
Minister of Finance and the Public Service

Luis Alberto Moreno
President

HONORARY WITNESS

/s/ Bruce Golding

Bruce Golding
Prime Minister of Jamaica

PART TWO

GENERAL CONDITIONS

CHAPTER I

Application of the General Conditions

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

CHAPTER II

Definitions

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

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

- (h) "Cost of Single Currency Qualified Borrowings with a LIBOR Interest Rate" means the cost to the Bank of the Single Currency Qualified Borrowings with a LIBOR Interest Rate in the Single Currency of the Financing, expressed as a percentage per annum, as determined by the Bank.
- (i) "Executing Agency/Agencies" means the entity/entities responsible for executing all or part of the Project.
- (j) "Financing" means the funds which the Bank has agreed to make available to the Borrower to assist in carrying out the Project.
- (k) "Fraud and corruption" means the act(s) defined in Article 5.02(c) of these General Conditions.
- (l) "General Conditions" means the entirety of articles which comprise Part Two of this Contract and reflect the basic policies of the Bank uniformly applicable to its Loan Contracts.
- (m) "Guarantor" means the party which guarantees the fulfillment of the obligations contracted by the Borrower and which assumes other obligations for which it is liable in accordance with the Guarantee Contract.
- (n) "Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter" means the 15th day of the months of January, April, July and October of each calendar year. The LIBOR-Based Interest Rate determined by the Bank on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter shall apply retroactively to the first fifteen (15) days of the respective Quarter, and shall continue to apply through and including the last day of the Quarter.
- (o) "LIBOR Interest Rate" means any of the following definitions, in accordance with the currency of the Loan:¹
 - (i) In the case of Single Currency Facility Loans in Dollars:
 - (A) The LIBOR Interest Rate on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be "USD-LIBOR-BBA," which is the rate for deposits in Dollars for a period of three (3) months that appears on the Telerate Page 3750 as of 11:00 a.m., London time, on the day that is two (2) London Banking Days preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter. If such rate does

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

not appear on the Telerate Page 3750, the rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be determined as if the parties had specified “USD-LIBOR-Reference Banks” as the applicable LIBOR Interest Rate.

- (B) “USD-LIBOR-Reference Banks” means that the rate for an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be determined on the basis of the rates at which deposits in Dollars are offered by the Reference Banks at approximately 11:00 a.m., London time, on the day that is two (2) London Banking Days preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter to prime banks in the London interbank market for a period of three (3) months commencing on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter and in a Representative Amount. The Calculation Agent or Agents utilized by the Bank will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two (2) quotations are provided, the rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be the arithmetic mean of the quotations. If fewer than two (2) quotations are provided as requested, the rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Calculation Agent or Agents utilized by the Bank, at approximately 11:00 a.m., New York City time, on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter for loans in Dollars to leading European banks for a period of three (3) months commencing on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter and in a Representative Amount. If more than one Calculation Agent provides an interest rate to the Bank as a result of the procedure described above, the Bank will determine, in its own discretion, the applicable LIBOR Interest Rate for each Quarter for the Interest Rate Determination Date, based on the interest rates received from the Calculation Agents. For purposes of the foregoing provision, if the Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter is not a Banking Day in New York City, the rates quoted on the first day immediately thereafter which is a Banking Day in New York City shall be utilized.

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

- (A) The LIBOR Interest Rate on an Interest Rate Determination Date

of the LIBOR-Based Interest Rate for each Quarter will be “EUR-EURIBOR-Telerate,” which is the rate for deposits in euros for a period of three (3) months that appears on the Telerate Page 248 as of 11:00 a.m., Brussels time, on the day that is two (2) TARGET Settlement Days preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter. If such rate does not appear on the Telerate Page 248, the rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be determined as if the parties had specified “EUR-EURIBOR-Reference Banks” as the applicable LIBOR Interest Rate.

- (B) “EUR-EURIBOR-Reference Banks” means that the rate for an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be determined on the basis of the rates at which deposits in euros are offered by the Reference Banks at approximately 11:00 a.m., Brussels time, on the day that is two (2) TARGET Settlement Days preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter to prime banks in the Euro-zone interbank market for a period of three (3) months commencing on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter and in a Representative Amount assuming an Actual/360 day count basis. The Calculation Agent or Agents utilized by the Bank, will request the principal Euro-zone office of each of the Reference Banks to provide a quotation of its rate. If at least two (2) quotations are provided, the rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be the arithmetic mean of the quotations. If fewer than two (2) quotations are provided as requested, the rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be the arithmetic mean of the rates quoted by major banks in the Euro-zone, selected by the Calculation Agent or Agents utilized by the Bank, at approximately 11:00 a.m., Brussels time, on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter for loans in euros to leading European banks for a period of three (3) months commencing on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter and in a Representative Amount. If more than one Calculation Agent provides an interest rate to the Bank as a result of the procedure described above, the Bank will determine, in its own discretion, the applicable LIBOR Interest Rate for each Quarter for the Interest Rate Determination Date, based on the interest rates received from the Calculation Agents. For purposes of the foregoing provision, if the Interest Rate Determination Date

of the LIBOR-Based Interest Rate for each Quarter is not a Banking Day in Brussels and in the Euro-zone, the rates quoted on the first day immediately thereafter which is a Banking Day in Brussels and in the Euro-zone shall be utilized.

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

- (A) The LIBOR Interest Rate on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be “JPY-LIBOR-BBA,” which is the rate for deposits in Yen for a period of three (3) months that appears on the Telerate Page 3750 as of 11:00 a.m., London time, on the day that is two (2) London Banking Days preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter. If such rate does not appear on the Telerate Page 3750, the rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be determined as if the parties had specified “JPY-LIBOR-Reference Banks” as the applicable LIBOR Interest Rate.
- (B) “JPY-LIBOR-Reference Banks” means that the rate for an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be determined on the basis of the rates at which deposits in Yen are offered by the Reference Banks at approximately 11:00 a.m., London time, on the day that is two (2) London Banking Days preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter to prime banks in the London interbank market for a period of three (3) months commencing on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter and in a Representative Amount. The Calculation Agent or Agents utilized by the Bank will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two (2) quotations are provided, the rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be the arithmetic mean of the quotations. If fewer than two (2) quotations are provided as requested, the rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be the arithmetic mean of the rates quoted by major banks in Tokyo, selected by the Calculation Agent or Agents utilized by the Bank, at approximately 11:00 a.m., Tokyo time, on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter for loans in Yen to leading European banks for a period of three (3) months commencing on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter and in a Representative Amount. If more than one Calculation Agent

provides an interest rate to the Bank as a result of the procedure described above, the Bank will determine, in its own discretion, the applicable LIBOR Interest Rate for each Quarter for the Interest Rate Determination Date, based on the interest rates received from the Calculation Agents. For purposes of the foregoing provision, if the Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter is not a Banking Day in Tokyo, the rates quoted on the first day immediately thereafter which is a Banking Day in Tokyo shall be utilized.

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

- (A) The LIBOR Interest Rate on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be “CHF-LIBOR-BBA,” which is the rate for deposits in Swiss Francs for a period of three (3) months that appears on the Telerate Page 3750 as of 11:00 a.m., London time, on the day that is two (2) London Banking Days preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter. If such rate does not appear on the Telerate Page 3750, the rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be determined as if the parties had specified “CHF-LIBOR-Reference Banks” as the applicable LIBOR Interest Rate.
- (B) “CHF-LIBOR-Reference Banks” means that the rate for an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be determined on the basis of the rates at which deposits in Swiss Francs are offered by the Reference Banks at approximately 11:00 a.m., London time, on the day that is two (2) London Banking Days preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter to prime banks in the London interbank market for a period of three (3) months commencing on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter and in a Representative Amount. The Calculation Agent or Agents utilized by the Bank will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two (2) quotations are provided, the rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be the arithmetic mean of the quotations. If fewer than two (2) quotations are provided as requested, the rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be the arithmetic mean of the rates quoted by major banks in Zurich, selected by the Calculation Agent or Agents utilized by the Bank, at approximately 11:00 a.m., Zurich time, on that Interest Rate Determination Date of the

LIBOR-Based Interest Rate for each Quarter for loans in Swiss Francs to leading European banks for a period of three (3) months commencing on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter and in a Representative Amount. If more than one Calculation Agent provides an interest rate to the Bank as a result of the procedure described above, the Bank will determine, in its own discretion, the applicable LIBOR Interest Rate for each Quarter for the Interest Rate Determination Date, based on the interest rates received from the Calculation Agents. For purposes of the foregoing provision, if the Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter is not a Banking Day in Zurich, the rates quoted on the first day immediately thereafter which is a Banking Day in Zurich shall be utilized.

- (p) "Loan" means the funds disbursed from the Financing.
- (q) "Project" means the Program or Project for which the Financing has been extended.
- (r) "Quarter" means each of the following three-month (3-month) periods of the calendar year: the period beginning on January 1 and ending on March 31; the period beginning on April 1 and ending on June 30; the period beginning on July 1 and ending on September 30; and the period beginning on October 1 and ending on December 31.
- (s) "Revolving Fund" means a fund that the Bank may establish as provided in Article 4.07 of these General Conditions, for the purpose of advancing resources to defray Project expenses chargeable to the Financing.
- (t) "Semester" means the first or second six months of a calendar year.
- (u) "Single Currency" means any convertible currency which the Bank has selected for lending under the Single Currency Facility.
- (v) "Single Currency Facility" means the facility the Bank has established to lend in certain convertible currencies which the Bank selects from time to time.
- (w) "Single Currency Facility Loan with an Adjustable Interest Rate" means any Loan or portion of a Loan made by the Bank to be disbursed, accounted for, and repaid in a Single Currency under the Single Currency Facility and which, in accordance with the Special Conditions of this Loan Contract, will bear an Adjustable Interest Rate as determined pursuant to Article 3.04(a) of these General Conditions.
- (x) "Single Currency Facility Loan with a LIBOR-Based Interest Rate" means any Loan or portion of a Loan made by the Bank to be disbursed, accounted for, and repaid in a Single Currency under the Single Currency Facility and which, in

accordance with the Special Conditions of this Loan Contract, will bear a LIBOR-Based Interest Rate as determined pursuant to Article 3.04(b) of these General Conditions.

- (y) "Single Currency Qualified Borrowings" for Loans denominated in any Single Currency means either: (i) from the date that the first Loan in such Single Currency is approved by the Bank's Board, resources of such Single Currency's transitional stabilization mechanism and borrowings of the Bank in such Single Currency that are assigned to fund loans in such Single Currency under the Single Currency Facility; or (ii) beginning on the first day of the seventh Semester following the above-mentioned date, borrowings of the Bank that are assigned to fund loans in such Single Currency under the Single Currency Facility.
- (z) "Special Conditions" means the entirety of the provisions which comprise Part One of this Contract and contain the particular terms of the operation.

CHAPTER III

Amortization, Interest and Credit Fee

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

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

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

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

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

ARTICLE 3.04. Interest. Interest shall be charged on the daily outstanding balances of the Loan at an annual rate that shall be determined by the Bank periodically in accordance with its lending rate policy, and may be one of the following as set forth in the Special Conditions, or in the letter from the Borrower to which reference is made in Article 4.01(g) of these General Conditions, if the Borrower elects to change the interest rate alternative of a Single Currency Facility Loan pursuant to Section 2.03 of the Special Conditions:

- (a) In the case of Single Currency Facility Loans with an Adjustable Interest Rate, interest shall accrue on the daily outstanding balances of the Loan and shall be at a rate per annum for each Semester as determined by the Cost of Single Currency Qualified Borrowings with an Adjustable Interest Rate in the Single Currency of the Financing, plus the prevailing ordinary capital lending spread expressed as a percentage per annum; or
- (b) In the case of Single Currency Facility Loans with a LIBOR-Based Interest Rate, interest shall accrue on the daily outstanding balances of the Loan and shall be at a rate per annum for each Quarter as determined by the Bank on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter, calculated as follows: (i) the respective LIBOR Interest Rate as defined in Article 2.01(o) of these General Conditions; (ii) plus or minus a cost margin computed quarterly as the weighted average of all the cost margins to the Bank related to the borrowings assigned to the pool of Bank borrowings which funds the Single Currency Facility Loans with a LIBOR-Based Interest Rate; (iii) plus the net of any costs and/or gains, computed quarterly, associated with any derivatives transactions which may be entered into by the Bank to mitigate the impact of extreme fluctuations in the LIBOR Interest Rate of the borrowings obtained by the Bank to finance the Single Currency Facility Loans with a LIBOR-Based Interest Rate; (iv) plus the ordinary capital lending spread prevailing on the Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter, expressed as a percentage per annum.
- (c) For the purposes of Article 3.04(b) above:
 - (i) The Borrower and Guarantor of any Single Currency Facility Loan with a LIBOR-Based Interest Rate expressly acknowledge and agree that: (A) the LIBOR Interest Rate referred to in Article 3.04(b)(i) above, and the cost margin of the Bank borrowings referred to in Article 3.04(b)(ii) above, may be subject to significant fluctuations during the life of the Loan and, therefore, the LIBOR-Based Interest Rate alternative for Single Currency Facility loans may involve significant financial risks to the Borrower and the Guarantor; (B) the Bank may, at its sole discretion, enter into any derivatives transactions to mitigate the impact of extreme fluctuations in the LIBOR Interest Rate of the borrowings obtained by the Bank to finance the Single Currency Facility Loans with a LIBOR-Based Interest Rate, as referred to in Article 3.04(b)(iii) above; and (C) any risk of fluctuations in the LIBOR-Based Interest Rate alternative for Single

Currency Facility loans is assumed entirely by the Borrower and the Guarantor, if applicable.

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

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

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

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

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

- (i) The rate of exchange pursuant to the understanding in force between the Bank and the respective member country for the purposes of maintaining the value of the currency in conformity with the provisions of Article V, Section 3 of the Agreement Establishing the Bank.
- (ii) Should there be no agreement in force between the Bank and the respective member country with regard to the rate of exchange to be applied for the purpose of maintaining the value of its currency held by the Bank, the latter shall have the right to require that the rate of exchange to be applied for the purposes of payment of amortization and interest shall be that which on the due date is utilized by the Central Bank of the member country or by the corresponding monetary authority to sell dollars of the United States of America to residents of such country, other than

government agencies, for the following transactions: (a) payment of principal and interest due; (b) remittance of dividends or other income from capital investments in the respective country; and (c) remittance of investment capital. In the event that there is no uniform rate of exchange for these three types of operations, the highest rate shall be applied, i.e., the rate representing the highest number of units of the currency of such country per dollar of the United States of America.

- (iii) If, on the date on which the payment is due, the foregoing rule cannot be applied because the operations referred to do not exist, payment shall be made on the basis of the most recent rate of exchange used for such operations within the thirty (30) days preceding the respective due date.
- (iv) If, notwithstanding the application of the foregoing rules, the effective rate of exchange for the purpose of determining payment cannot be ascertained, or if discrepancies arise in the determination thereof, the determination of the Bank shall prevail, taking into consideration the realities of the foreign exchange market of the member country concerned.
- (v) If, due to non-compliance with the foregoing rules, the Bank considers that any payment made in the respective currency has been insufficient, it shall so notify the Borrower immediately in order that the latter shall pay the difference within a period not greater than thirty (30) business days from receipt of the notification. If, on the other hand, the sum received by the Bank is higher than that due, it shall return the excess amount within the same time period.

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

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

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

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

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

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

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

ARTICLE 3.11. Advance Payments. Upon advance notice in writing to the Bank of at least forty-five (45) days, the Borrower may pay, on one of the interest payment dates indicated in the Special Conditions, any part of the Loan prior to its maturity, provided that on the payment date no sum is owing in respect of fees or interest. Unless otherwise agreed in writing, each partial advance payment shall be applied to unpaid installments of principal in the inverse order of their maturity.

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

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

ARTICLE 3.14. Place of Payments. All payments shall be made at the principal office of the Bank in Washington, District of Columbia, United States of America, unless the Bank designates another place or places for this purpose by written notification to the Borrower.

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

ARTICLE 3.16. Automatic Cancellation of Part of the Financing. Unless the Bank and the Borrower and the Guarantor, if any, expressly agree in writing to extend the term for making

disbursements, that portion of the Financing not committed or disbursed, as the case may be, within the corresponding term, shall automatically be canceled.

CHAPTER IV

Conditions Relating to Disbursements

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

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

sources of funds from which the Project will be financed. If this Contract permits the recognition of expenditures made prior to its signature or to the date of the Resolution authorizing the Financing, the initial report shall include a statement of the investments and, in accordance with the objectives of the Financing, a description of works carried out under the Project or a statement as to credits granted, as the case may be, up to a date immediately preceding the report.

- (e) The Borrower or Executing Agency shall have presented to the Bank the plan, catalog or code of accounts referred to in Article 7.01 of these General Conditions.
- (f) The official auditing agency referred to in the Special Conditions shall have agreed to perform the auditing function foreseen in Article 7.03(b) of these General Conditions and in the Special Conditions, or the Borrower or the Executing Agency shall have agreed with the Bank with respect to a firm of independent public accountants to perform the above functions.
- (g) The Bank shall have received a letter duly signed by the Borrower, with the express written conformity of the Guarantor, if applicable, confirming either its decision to maintain the interest rate alternative originally selected for the Financing as determined in Sections 1.02(b) and 2.02(a) of the Special Conditions, or its decision to elect to change the interest rate alternative of the Financing as determined in Section 2.03 of the Special Conditions of this Loan Contract. In case the Borrower, with the express written conformity of the Guarantor, if applicable, decides to elect to change the interest rate alternative of the Financing, the Borrower shall give written notice to the Bank of such election at least thirty (30) calendar days prior to presentation to the Bank of the request for the first disbursement of the Financing. For purposes of this notification, the Borrower shall use the form letter required by the Bank. Under no circumstances may such option be elected at any point in time which is later than thirty (30) calendar days prior to the presentation of the request for the first disbursement of the Financing.

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

ARTICLE 4.03. Requisites for All Disbursements. For the Bank to make any disbursement, it shall be necessary that: (a) the Borrower, or the Executing Agency, if any, shall have submitted in writing a disbursement request and, in support thereof, shall have supplied to the Bank such pertinent documents and other background materials as the Bank may have required; provided, however, that for Loans in which the Borrower has opted to receive financing in a combination of Single Currencies, or in one or more Single Currencies, the request must indicate the specific amounts of the particular Single Currency(ies) requested for disbursement; (b) requests must be presented no later than thirty (30) calendar days in advance of the date of expiry

of the term for disbursement or of any extension thereof which the Borrower and the Bank may have agreed to; (c) none of the circumstances described in Article 5.01 of these General Conditions shall have occurred; and (d) the Guarantor, if any, shall not be in non-compliance for more than one hundred twenty (120) days with any obligation to make payments to the Bank on any Loan or Guarantee.

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

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

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

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

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

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

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

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

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

CHAPTER V

Suspension of Disbursements and Accelerated Maturity

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

- (a) Delay in the payment of any sums owed by the Borrower to the Bank for principal, fees, interest, return of advances of funds or for any other reason, under this Contract or any other Loan Contract entered into between the Bank and the Borrower.
- (b) Nonfulfillment by the Borrower of any other obligation set forth in the Contract or in any other Contract entered into with the Bank for the Financing of the Project.
- (c) Withdrawal or suspension from membership in the Bank of the country in which the Project is to be executed.
- (d) The Project or the purposes of the Financing may be affected by: (i) any restriction, modification or alteration of the legal capacity, functions or assets of the Borrower or the Executing Agency; or (ii) any modification or change made without the written concurrence of the Bank of the basic conditions fulfilled before the approval of the Resolution authorizing the Financing or the signature of the Contract. In such cases, the Bank will have the right to require the Borrower and the Executing Agency to provide reasoned and detailed information. Only after hearing the Borrower or the Executing Agency and weighing the information or

clarification received, or if the Borrower and the Executing Agency fail to respond, may the Bank suspend disbursements if it considers that the modifications made affect the Project substantially and unfavorably or make its execution impossible.

- (e) The non-compliance on the part of the Guarantor, if any, of any obligation set forth in the Guarantee Contract.
- (f) When the Borrower is not a member country, any extraordinary circumstance which, in the opinion of the Bank, makes it unlikely that the Borrower will be able to comply with the obligations established in this Contract or to fulfill the purposes for which it was entered into.
- (g) If it is determined at any stage that evidence is sufficient to support a finding that an employee, agent, or representative of the Borrower, Executing Agency or Contracting Agency, has engaged in an act of fraud and corruption during the bidding process, negotiation of a contract, or the execution of the contract.

ARTICLE 5.02. Termination, Accelerated Maturity, or Partial Cancellation of Undisbursed Balances and other Measures.

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

(b) The Bank may cancel the part of the Financing pertaining to the procurement of certain goods, works or related services, or consulting services, or may declare the portion of the loan pertaining to such items immediately due and payable, if it determines at any time that: (i) the procurement was carried out without following the procedures set forth in this Contract; or (ii) representatives of the Borrower, Executing Agency or Contracting Agency have committed any act of fraud or corruption, either in the process of selecting the contractor or supplier or consultant, or in the negotiation or execution of the respective contract, and the Borrower has not taken timely and remedial measures, observing the due process guarantees of the Borrowing country's legislation, and acceptable to the Bank.

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

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

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

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

ARTICLE 5.03. Obligations not Affected. Notwithstanding the provisions of the foregoing Articles 5.01 and 5.02, none of the measures set forth in this Chapter shall affect the disbursement by the Bank of: (a) any amounts subject to the guarantee of an irrevocable letter of credit; and (b) any amounts which the Bank by specific written agreement with the Borrower or the Executing Agency, or the Contracting Agency, if any, has agreed to provide from the

resources of the Financing to make payments to a contractor or supplier of goods and related services or consultant services. The exceptions set forth in subparagraph (b) shall not apply if the Bank determines that acts of fraud and corruption occurred with respect to the procurement of, or the negotiation or execution of the contract for, the works, goods and related services or consultant services.

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

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

CHAPTER VI

Execution of the Project

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

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

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

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

ARTICLE 6.04. Additional Resources. (a) The Borrower shall contribute in a timely manner all the resources in addition to those of the Loan which may be necessary for the complete and uninterrupted execution of the Project, the estimated amount of which is specified in the Special

Conditions. If during the process of disbursement of the Financing an increase in the estimated cost of the Project arises, the Bank may require the modification of the investment schedule referred to in Article 4.01(d) of these General Conditions in order that the Borrower shall meet such increase.

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

CHAPTER VII

Records, Inspections and Reports

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

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

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

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

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

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

- (i) Reports on the execution of the Project, within sixty (60) days following the end of each calendar Semester, or within such other period as the parties may agree, prepared in accordance with the relevant rules agreed to with the Bank.
- (ii) Such other reports as the Bank may reasonably request regarding the investment of the sums lent, the use of goods acquired with such sums, and the progress of the Project.
- (iii) Three copies of the financial statements for the entire Project as of the close of each fiscal year of the Executing Agency, and supplementary financial information relating to such statements. Such financial statements shall be submitted within one hundred twenty (120) days following the close of each fiscal year of the Executing Agency, beginning with the fiscal year in which the Project was initiated and during the period stipulated in the Special Conditions.
- (iv) When the Special Conditions so require, three copies of the financial statements of the Borrower as of the close of each fiscal year, and supplementary financial information relating to such statements. The financial statements shall be submitted during the period stipulated in the Special Conditions, beginning with the fiscal year in which the Project was initiated and within one hundred twenty (120) days following the close of each fiscal year of the Borrower. This obligation shall not apply if the Borrower is the Republic or the Central Bank.

- (v) When the Special Conditions so require, three copies of the financial statements of the Executing Agency as of the close of each fiscal year, and supplementary financial information relating to such statements. The statements shall be submitted during the period stipulated in the Special Conditions, beginning with the fiscal year in which the Project was initiated and within one hundred twenty (120) days following the close of each fiscal year of the Executing Agency.

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

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

CHAPTER VIII

Provision on Encumbrances and Exemptions

ARTICLE 8.01. Commitment on Encumbrances. If the Borrower should agree to create any specific encumbrance on all or part of its assets or revenues to secure an external debt, it shall at the same time create an encumbrance guaranteeing to the Bank, equally and proportionally, the fulfillment of the pecuniary obligations arising from this Contract. However, the foregoing shall not apply: (a) to encumbrances on goods used as security for payment of the unpaid balance of the purchase price; and (b) to encumbrances created in banking operations to secure payment of debts with maturities of not more than one year. In the event that the Borrower is a member country, the term "assets or revenues" shall mean all types of assets or revenues which belong to the Borrower or any of its dependent agencies which are not autonomous entities with their own separate capital.

ARTICLE 8.02. Tax Exemption. The Borrower undertakes to ensure that both the principal and the interest and other charges of the Loan shall be paid without any deduction or restriction whatsoever, exempt from any tax, fee, duty or charge established or that may be established by the laws of its country, and to pay any tax, fee, or duty applicable to the signing, negotiation, and execution of this Contract.

CHAPTER IX

Arbitration Procedure

ARTICLE 9.01. Composition of the Tribunal. (a) The Arbitration Tribunal shall be composed of three members to be appointed in the following manner: one by the Bank, another by the Borrower, and a third, hereinafter called the "Referee", by direct agreement between the parties or through their respective arbitrators. If the parties or the arbitrators fail to agree on who the Referee shall be, or if one of the parties should not designate an arbitrator, the Referee shall be appointed, at the request of either party, by the Secretary General of the Organization of American States. If either of the parties fails to appoint an arbitrator, one shall be appointed by the Referee. If either of the appointed arbitrators or the Referee is unwilling or unable to act or to continue to act, his successor shall be appointed in the same manner as for the original appointment. The successor shall have the same functions and faculties as his predecessor.

(b) If the controversy affects not only the Borrower but also the Guarantor, if any, both shall be considered a single party and consequently shall act jointly in the designation of the arbitrator and for the other purposes of the arbitration proceedings.

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

ARTICLE 9.03. Convening of the Tribunal. The Arbitration Tribunal shall be convened in Washington, District of Columbia, United States of America, on the date designated by the Referee, and, once convened, shall meet on the dates which the Tribunal itself shall establish.

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

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

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

ARTICLE 9.05. Costs. The fees of each arbitrator shall be paid by the party which appointed him and the fees of the Referee shall be paid by both parties in equal proportion. Prior to the convening of the Tribunal, the parties shall agree on the remuneration of the other persons who, by mutual agreement, they deem should take part in the arbitration proceedings. If such agreement is not reached in a timely manner, the Tribunal itself shall determine the compensation which may be reasonable for such persons under the circumstances. Each party shall defray its own expenses in the arbitration proceedings, but the expenses of the Tribunal shall be borne equally by the parties. Any doubt regarding the division of costs or the manner in which they are to be paid shall be determined, without appeal, by the Tribunal.

ARTICLE 9.06. Notification. All notifications relative to the arbitration or to the award shall be made in the manner provided in this Contract. The parties waive any other form of notification.

ANNEX

THE PROGRAM

Liquidity Program for Growth Sustainability

I. Objective

- 1.01** The general objective of the Program is to contribute to the sustainable growth of Jamaica. The specific objective of the Program is to provide liquidity to maintain credit flows to the real economy, partially compensating on a temporary basis the shortfalls in the normal credit flows caused by the worldwide financial crisis. The Program funds should assist in maintaining national production levels, thereby protecting employment from a temporary external shock and at the same time reinforcing macro-economic soundness of Jamaica.

II. Description

- 2.01** The Program will finance revolving credit lines (RCLs) to make funding available to eligible intermediaries operating in the Jamaican financial system.

III. Total Cost of the Program and Financing Plan

- 3.01** The estimated amount of the Program is the equivalent of three million dollars (US\$300,000,000), in accordance with the following investment categories and sources of financing:

Cost Table

(in US\$ dollars)

Investment Category	Bank
1. Revolving Credit Lines	296,900,000
2. Audit	100,000
3. Front-end-Fee	3,000,000
Total	300,000,000

IV. Execution

- 4.01** The borrower will be the Government of Jamaica and the Executing Agency will be the Development Bank of Jamaica (DBJ).
- 4.02** The DBJ will work in close collaboration with the Ministry of Finance and the Public Service to monitor the operation's risks on a real time basis.

4.03 General Structure. The Government of Jamaica (GOJ) will make available the resources of the Program to the DBJ according to the terms of a mutually agreed contract. The DBJ will function as a second-tier operator and on-lend the resources to banks that have been approved to act as such (AFIs) by the DBJ. The AFIs will act as first-tier banks. The AFIs will receive funding from the DBJ to finance (eligible) credits. The AFI will select the individual (eligible) sub-borrowers and define the terms and conditions of the sub-loans. The credit risk of the sub-loans will be entirely kept on the books of the granting AFI.

4.04 Credit Rules and Regulations (CRR). The CRR are a fully detailed description of the on-lending structure of the Program, as well as of the contracts that regulate the interaction among all intervening parties.

4.05 A summary of the main features of the CRR follows:

- (a) Structure of the Credits to the AFIs. The credits from the DBJ to the participating AFI will take the form of RCLs. Upon request of an AFI, the DBJ will transfer the requested amount of the Program funds to the AFI. The latter will have a period of thirty (30) days (or the period established in the CRR) to justify to the DBJ the corresponding sub-loans. The proceeds of the repayments of the sub-loans could be reinvested by the AFI in further loans or could be repaid to the DBJ. The RCLs will be denominated in dollars.
- (b) Eligible AFIs. The eligible AFIs for the Program shall be banks, licensed, regulated and monitored by the Bank of Jamaica (BOJ). Other regulated financial institutions could be included at a later date should the evolution of the Program warrant it.
- (c) Risk Management of the Program. The RCLs granted to the AFIs will be fully collateralized with securities issued or guaranteed by the GOJ or by the BOJ or other liquid assets of equivalent quality. The specific collateralization mechanism will be defined in the CRR. The DBJ's risk is further mitigated by its periodic evaluations of the AFIs and by their supervision by the BOJ. At the retail level, the first-tier lenders will require collateral from the real-sector sub-borrowers according to the respective AFI's risk assessment of each credit.
- (d) Eligible Credits to the Sub-Borrowers. Eligible credits to sub-borrowers will be those applied to finance working capital or trade finance operations. The maximum term will be thirty six (36) months or a period established in the CRR. The credits to the sub-borrowers will have to comply with the general credit regulations enacted by the BOJ.
- (e) Eligible Sub-Borrowers. All private sector firms, including small and medium size enterprises will be eligible sub-borrowers for the Program. Those firms that conduct activities that fall within the negative list as specified in the CRR or that could be deemed environmentally pernicious will be declared non-eligible.
- (f) Interest Rates: (i) from the DBJ to the AFI: DBJ will lend the Program resources

to the AFIs at terms as agreed with the Ministry of Finance and the Public Service; and (ii) from the AFI to the sub-borrowers: the AFI will on-lend the Program funds at those rates and conditions that they see fit, taking into account the specific characteristics and risk profile of each individual sub-borrower.

- (g) Environmental Matters: The AFIs will carry out the due diligence on environmental matters for each transaction and applying the applicable local environmental legislation. The CRR will establish: (i) a list of excluded activities (“negative list”) that will not be eligible for inclusion in the Program; (ii) a list of sectors that will only be eligible if the final borrowers present the necessary environmental documentation including any licenses and permits required under local laws; (iii) the requirement that all transactions not included in (i) and (ii) be in compliance with applicable local laws; and (iv) a provision that indicates that violations of local environmental laws will result in the acceleration of the respective loans and non-eligibility of the final borrowers for future transactions under the Program. The loan agreements between the sub-borrowers and the AFIs shall include a representation by the sub-borrower that it is not engaged in the excluded activities and it is in compliance with all applicable environmental laws. The sub-loans will not require a specific environmental treatment by the Program and will be overseen utilizing current Jamaican environmental systems and legislation. The Bank will periodically review the list of transactions under the Program in order to verify compliance with these requirements and, if necessary, request additional information from the DBJ or the Program auditors.

V. Monitoring

- 5.01** The DBJ will be responsible for preparing periodic reports for the Bank regarding the evolution and performance of the RCLs based on information provided by the AFIs. The reports will be based on a sampling of information and they will contain data on: (i) evolution of the RCLs; (ii) AFIs’ compliance with the CRR; (iii) characteristics of sub-borrowers and types of activity; and (iv) environmental performance of the financed activities. The periodicity of the reports will be established in the CRR.