

**LOAN CONTRACT No. BA-O0004**

between the

GOVERNMENT OF BARBADOS

and the

INTER-AMERICAN DEVELOPMENT BANK

Contingent Loan for Natural Disaster Emergencies

## **LOAN CONTRACT**

### **SPECIAL CONDITIONS**

This Loan Contract, hereinafter referred to as the “Contract,” is entered into between THE GOVERNMENT OF BARBADOS, hereinafter referred to as the “Borrower,” and the INTER-AMERICAN DEVELOPMENT BANK, hereinafter referred to as the “Bank” and together with the Borrower, as the “Parties”.

#### **CHAPTER I**

##### **Purpose, Constituent Elements of the Contract and Special Definitions**

**SECTION 1.01. Purpose of the Contract.** The purpose of this Contract is to establish the terms and conditions under which the Bank provides a Contingent Loan to the Borrower to alleviate the impact that a severe or catastrophic natural disaster could have on the country’s public finances, hereinafter referred to as the “Project”. The Project’s specific objective is to improve the country’s financial risk management of natural disasters by increasing stable, cost-effective, and quick access contingent financing to cover extraordinary public expenditures during emergencies caused by severe or catastrophic natural disasters.

**SECTION 1.02. Constituent Elements of the Contract.** This Contract is composed of these Special Conditions, the General Conditions and Annex I.

**SECTION 1.03. Special Definitions.** In addition to the terms defined in the General Conditions, whenever the following terms are capitalized in this Contract, they shall have the meaning assigned to them below. Any reference to the singular includes the plural and vice versa.

- (a) “Automatic Redirection List” or “ARL” means the list of loan operations approved by the Bank’s Board of Executive Directors for the Borrower (whose loan contracts are in effect in accordance with the internal rules of the Borrower) and whose available and undisbursed resources may be used under this Project in accordance with the terms and conditions of this Contract. The ARL may be updated periodically, through a written agreement between the Borrower and the Bank, to include the new loan operations that the Bank approves for the Borrower after the date of approval of this Project by the Bank. The ARL in force on the date of approval by the Bank is included as Annex I to this Contract.
- (b) “Eligible event” means the event that meets the characteristics and conditions of the type, location, and intensity specifically described in the Terms and Conditions of Coverage included in the Operating Regulations.
- (c) “The Operating Regulations means the operating manual of the Project, as amended from time to time, which will contain, among other things, the responsibilities in the areas of administration, agreements for management and monitoring, disbursements, applicable Bank policies and other arrangements. It includes the

following three Annexes: (i) Terms and Conditions of Coverage; (ii) Comprehensive Natural Disaster Risk Management Program (CDRMP); and (iii) Automatic Redirection List.

## **CHAPTER II**

### **The Loan**

**SECTION 2.01. Amount and Approval Currency of the Loan.** (a) In accordance with this Contract, the Bank agrees to lend to the Borrower, and the Borrower accepts, a contingent loan of up to the amount of eighty million Dollars (US\$80,000,000), hereinafter the “Loan” or the “Contingent Loan,” which may alternatively come from either the resources of the ordinary capital of the Bank’s regular lending program with the Borrower, the available undisbursed balances of the loans identified in the ARL, hereinafter referred to as “ARL loans”, or a combination of the two foregoing options.

(b) To the extent and in the proportion in which available undisbursed balance of the loans identified in the ARL are used for this Project, such amounts shall be cancelled from the respective ARL loans and shall be subject to the financial terms and conditions established in this Contract.

(c) Disbursements of Contingent Loan resources shall be subject to the Bank having sufficient available resources, at the time of the corresponding disbursement request, from: (i) the Bank’s regular lending program with the Borrower; and/or (ii) the ARL loans. If, at the time of such request, the amount requested by the Borrower exceeds the available undisbursed balances from ARL loans, and the Bank does not have sufficient resources available in its regular lending program with the Borrower to disburse the amount of resources requested, the Bank may disburse up to the maximum amount of resources available at the time of the disbursement request. For the avoidance of doubt, the Bank will not be obligated to make any disbursement as long as the lack of available resources persists, without this constituting a breach on the part of the Bank, of the terms established in this Contract. The Bank will be exempt from any type of liability, as well as any present or future damage that such situation could have caused to the Borrower.

(d) During the Disbursement Period of the Contingent Loan resources, referred to in Section 2.04 of these Special Conditions, and after one or more disbursements have occurred, the Borrower may request the Bank to replenish the resources of the Contingent Loan up to the maximum approved amount referred to in paragraph (a) of this Section 2.01, subject to approval by the Bank and in accordance with the respective operational policies and the Operating Regulations of the Loan. The Borrower may not request a replenishment until a significant amount of the Loan has been disbursed and duly justified in accordance with the provisions of Section 5.02 of these Special Conditions.

**SECTION 2.02. Disbursement Requests and Disbursement Currency.** (a) The Borrower may request Contingent Loan disbursements from the Bank pursuant to these Special Conditions, the Operating Regulations, and the requirements for all disbursements included in Article 4.03 of the General Conditions.

(b) All disbursements shall be denominated and made in Dollars, unless the Borrower requests that a disbursement be denominated in a currency other than the Dollar, pursuant to the provisions of Chapter V of the General Conditions.

**SECTION 2.03. Currency Availability.** If the Bank is unable to obtain access to the currency requested by the Borrower, the Bank, in consultation with the Borrower, may disburse the Loan in another currency of the Bank's choice.

**SECTION 2.04. Disbursement Period.** The Original Disbursement Period will be five (5) years from the effective date of this Contract. At the Borrower's request and at the Bank's discretion, such period may be extended for up to five (5) additional years, provided that the Comprehensive Natural Disaster Risk Management Program hereinafter referred to as the CNDRMP, which is included as Annex II of the Operating Regulations, is being executed to the satisfaction of the Bank and has an execution period equal to or greater than the requested extension.

**SECTION 2.05. Amortization Schedule.** (a) The Final Amortization Date shall be twenty-five (25) years from the date on which the respective disbursement of the Contingent Loan resources occurs. The Original WAL of each disbursement of the Contingent Loan is fifteen point twenty-five (15.25) years.

(b) The Contingent Loan shall be repaid by the Borrower in semiannual, consecutive, and insofar as possible, equal installments. The first installment shall be due from the Borrower on the expiration date of the sixty-six (66) month period following the date on which the respective disbursement of the Contingent Loan resources occurs, and the last installment shall be paid no later than the Final Amortization Date. If the expiration date of the period for the payment of the first amortization installment does not fall on the 15th day of the month, the payment of the first amortization installment shall be made on the interest payment date immediately preceding the expiration date of such period. If the Final Amortization Date does not fall on an interest payment date, the payment of the last amortization installment shall be made on the interest payment date immediately preceding the Final Amortization Date.

(c) The Parties may agree to modify the Amortization Schedule of the Contingent Loan as set forth in Article 3.02 of the General Conditions. In that event, paragraph (g) of Article 3.02 of the General Conditions shall not apply.

**SECTION 2.06. Interest.** (a) The Borrower shall pay interest on the daily Outstanding Loan Balances at a rate determined pursuant to the provisions of Article 3.03 of the General Conditions.

(b) Interest shall be payable by the Borrower to the Bank semiannually. The first interest payment shall be due on the expiration date of the six-month (6-month) period following the date on which the respective disbursement of the Contingent Loan resources occurs. If the expiration date of the period for the first interest payment does not fall on the fifteenth (15th) day of the month, the first interest payment shall be made on the fifteenth (15th) day of the month immediately preceding the expiration date of such period.

**SECTION 2.07. Commitment Fee.** The Parties agree that Article 3.04 of the General Conditions is replaced by the following provision:

“**ARTICLE 3.04. Drawdown Fee.** On the amount of each disbursement of the Contingent Loan, the Borrower shall pay a drawdown fee. This fee will be paid by the Borrower on the first interest payment date that occurs after the date of such disbursement. The Drawdown Fee will be that which is in effect at the time of such disbursement and the percentage of this will be the one established by the Bank, in accordance with its current policies and as a result of its review of financial charges for loans of the Ordinary Capital. The Drawdown Fee will not apply to amounts disbursed through ARL Resources”.

**SECTION 2.08. Resources for Inspection and Supervision.** The Parties agree that Article 3.06 of the General Conditions is replaced by the following provision:

“**ARTICLE 3.06. Resources for Inspection and Supervision.** The Borrower shall not be required to cover the Bank’s expenses for general inspection and supervision, unless the Bank establishes otherwise during Disbursement Period of the Contingent Loan resources as a consequence of its periodic review of financial charges for ordinary capital loans and notifies the Borrower accordingly. In no case may the Bank charge more than the result of applying once per cent (1%) to the amount of each disbursement of the Contingent Loan made with resources that do not come from ARL loans.”

**SECTION 2.09. Conversion.** The Borrower may request Currency Conversions, Interest Rate Conversions and/or Commodity Conversions from the Bank at any time during the term of the Contract, as set forth in Chapter V of the General Conditions.

(a) **Currency Conversion.** The Borrower may request that a disbursement of all or part of the Outstanding Loan Balance be converted to a Principal Currency or a Local Currency, which the Bank can efficiently obtain, subject to the Bank’s operational and risk management considerations. It is understood that any disbursement denominated in Local Currency shall constitute a Currency Conversion, even when the Approval Currency is the same Local Currency.

(b) **Interest Rate Conversion.** The Borrower may request, with respect to all or part of the Outstanding Loan Balance, that the LIBOR-Based Interest Rate be converted to a fixed interest rate or any other Interest Rate Conversion option requested by the Borrower and accepted by the Bank.

(c) **Commodity Conversion.** The Borrower may request the entering into Commodity Put Options and Commodity Call Options.

### **CHAPTER III**

#### **Disbursements and Utilization of the Resources of the Loan**

**SECTION 3.01. Condition for General Eligibility.** (a) For purposes of declaring the resources of the Contingent Loan eligible and so that they may be disbursed once an Eligible Event

occurs and the conditions for each disbursement referred to in Section 3.03 below are met, the Borrower must submit evidence, to the satisfaction of the Bank, of the following:

- (i) The fulfillment of the conditions established in paragraphs (a) and (b) of Article 4.01 of the General Conditions; and
- (ii) The approval and entry into force of the Operating Regulations, in the terms previously agreed upon with the Bank.

(b) For purposes of this Contract, the Borrower will not be required to comply with the condition provided in paragraph (d) of Article 4.01 of the General Conditions.

(c) During the Disbursement Period of the Contingent Loan or its extensions, the Bank will periodically monitor whether the CNDRMP is progressing satisfactorily, based on the indicators established for this purpose. If as a result of such monitoring, the Bank finds that the CNDRMP is being executed unsatisfactorily, the Borrower will be notified by the Bank of the actions that require implementation within a period of ninety (90) calendar days from the date of issuance of the notification, to maintain general eligibility for disbursement of Conditional Loan resources. If the Borrower does not implement the referred actions, the Bank may suspend the Borrower's eligibility to receive disbursements of the Contingent Loan.

**SECTION 3.02**      **Deadline to meet the General Eligibility Conditions.** For the purposes of this Contract, Article 4.02 of the General Conditions is replaced by the following provision:

**“ARTICLE 4.02.      Deadline to meet the General Eligibility Conditions.** If within one hundred and eighty (180) days from the effective date of this Contract, or within such longer period as the Parties may agree in writing, the eligibility conditions established in the Special Conditions have not been fulfilled, the Bank may terminate this Contract in advance by giving notice to the Borrower.”

**SECTION 3.03.      Special Conditions Precedent to Each Disbursement.** (a) In addition to the conditions stipulated in Section 3.01 of these Special Conditions, each disbursement of the Contingent Loan resources shall be subject to the fulfillment, to the satisfaction of the Bank, of the following requirements:

- (i) That the Bank has verified the occurrence of an Eligible Event;
- (ii) That the Borrower has submitted, within ninety (90) calendar days following the occurrence of an Eligible Event, one or more disbursement requests indicating the amount(s) of said disbursement(s), if the same(s) shall come from the Bank's regular lending program with the Borrower or if they shall come from the available resources of the ARL loans or a combination of both. In the case of ARL loans, the request shall identify ARL loans in question and the respective amount to be used;

- (iii) That the Borrower has informed the Bank of the Special Bank Account where the Bank will deposit the resources of the Contingent Loan in the terms set forth in the Operating Regulations; and
- (iv) That the CNDRMP previously agreed upon with the Bank is in execution to the satisfaction of the Bank.

(b) The Bank may recognize up to 100% of the amount of Eligible Expenses actually incurred and paid by the Borrower as of the date on which the Eligible Event has occurred and for a period of up to one hundred eighty (180) calendar days immediately following such date, provided that the requirements indicated in subsection (a) of this Section are met. At the express written request of the Borrower and accompanied by due justification, this period may be extended by the Bank, at its sole discretion, for an additional ninety (90) days.

**SECTION 3.04. Basic Provision on Disbursements.** (a) The Bank shall make the disbursements of the Contingent Loan resources in amounts that may be up to one hundred percent (100%) of the Contingent Loan amount and will be disbursed in accordance with the conditions and procedures established in these Special Conditions and in Articles 4.02 as amended, 4.03, 4.04, 4.05, 4.06, 4.07, 4.08, 4.09, 4.10, 4.11, 4.12 and 4.13 of the General Conditions.

(b) For purposes of the provisions of Article 4.03(b) of the General Conditions, only up to four (4) disbursements per Eligible Event will be made and on each occasion for amounts of not less than one million Dollars (US\$1,000,000), with the exception of the last disbursement that may be less than this amount.

(c) The maximum amount of each disbursement for each Eligible Event shall be subject to the lesser of the following limits: (i) the undisbursed available balance of the Contingent Loan; (ii) the maximum disbursement corresponding to the Eligible Event, in accordance with the limits established in the Operating Regulations.

**SECTION 3.05. Eligible Expenses and Excluded Expenses.** (a) The resources of the Contingent Loan may be used to finance public expenditures of an extraordinary nature incurred in the acquisition of goods or in the contracting of works or services during emergencies resulting from an Eligible Event, referred to in Annex I of the Operating Regulations, including the rehabilitation of vital services and public infrastructure, that: (i) are not Excluded Expenditures, referred to in paragraph (b) of this Section; (ii) have been made in accordance with the internal rules of the Borrower; (iii) are directly or indirectly related to the Eligible Event; (iv) have been acquired and paid in a verifiable, documented and clearly registered manner; and (v) have been properly calculated in terms of their size and price.

(b) The resources of the Contingent Loan may not be used to finance the following expenses, hereinafter referred to as “Excluded Expenditures”:

- (i) Luxury goods;
- (ii) Armament and ammunition;

- (iii) Goods for the use of the armed forces not related to the emergency response;
- (iv) Goods, works or services that are not legal according to the legislation of Barbados;
- (v) Goods, works or services that are not verifiable, that are not duly documented or clearly recorded, or that the Bank considers that are not reasonably adequate in terms of their dimension;
- (vi) Goods, works or services where a Prohibited Practice has been committed during the acquisition or contracting, as defined in Article 9.01 of the General Conditions;
- (vii) Goods or works that endanger the environment. For the purposes of the provisions of this subsection, goods or works that endanger the environment in accordance with the Bank's policies, are those whose manufacture, use, import or construction is prohibited by the legislation of the Borrower's country or by what is established in international agreements or treaties of which the Borrower is a party; and
- (viii) Expenses associated with the permanent reconstruction of infrastructure.

(c) If the Bank determines, at any time, that the resources of the Contingent Loan have been used to pay for goods, works or services excluded under the provisions of subsection (b) of this Section, the Bank may request the Borrower to remedy the situation immediately or to immediately reimburse the Bank or to the Special Bank Account, as determined by the Bank, the sum used in the payment of said excluded goods, works or services. In addition, in the case of a violation of the provisions of paragraph (vi) of the preceding subsection, the Bank may adopt the legal measures contemplated in Article 9.01 of the General Conditions.

**SECTION 3.06. Applicable Exchange Rate for Expenditures Incurred in Local Currency of the Borrower's Country.** For purposes of Article 4.10 of the General Conditions, the Parties agree that the applicable exchange rate shall be that indicated in paragraph (b)(ii) of said Article. Accordingly, the agreed exchange rate shall be the exchange rate on the effective date on which the Borrower, the Executing Agency, or any other person or legal entity in whom the power to incur expenditures has been vested makes the related payments to the contractor, the supplier, or beneficiary.

#### **CHAPTER IV** **Execution of the Project**

**SECTION 4.01. Executing Agency.** The Ministry of Finance, Economic Affairs, and Investment (MFEI) shall be the Executing Agency of the Project on behalf of the Borrower.



**SECTION 4.02. Procurement of Goods, Works, and Non-consulting Services and Selection and Contracting of Consulting Services.** Notwithstanding Article 6.04 of the General Conditions, the contracting of works and services other than consulting, the acquisition of goods and the selection and hiring of consultants will be carried out in accordance with the provisions established in the laws and regulations of the Government of Barbados applied by the public sector for emergencies due to natural disasters.

**SECTION 4.03. Operating Regulations.** The Borrower undertakes to execute the Project in accordance with the Operating Regulations referred to in Section 3.01(a)(ii) of these Special Conditions. Any changes to the Operating Regulations will require the agreement of the Bank.

## **CHAPTER V** **Supervision of the Project**

**SECTION 5.01. Records, inspections and reports.** The Borrower shall maintain separate accounting records, supporting documentation and an appropriate structure of internal control, to allow the preparation of the audits referred to in Section 5.02 of these Special Conditions, the identification of the recipient of the funds disbursed and the verification of Borrower's compliance with the obligations established in these Special Conditions, in the General Conditions and in the Operating Regulations.

**SECTION 5.02. Certification of use of resources and audits.** The Borrower shall: (a) submit to the Bank within three hundred and sixty-five (365) calendar days after the onset of the Eligible Event for which the Contingent Loan resources have been disbursed, a written declaration of adequate use of the resources of the Contingent Loan, which must be accompanied by the final report of the independent verification carried out by a reasonable assurance audit firm, in case it was required; and (b) maintain the necessary documents, including the respective receipts of expenditure for payment and payment accepted by the corresponding parties, so that if necessary the Bank, in its sole discretion, may conduct ex post independent external audits on the suitability of the expenses declared as eligible. These ex post audits may be carried out within a period of two (2) years from the date on which each disbursement is made. If as a result of any of these audits the Bank detects that resources of the Contingent Loan have been used to finance ineligible or inadequate expenditures, the Bank could request from the Borrower the immediate remedy of the situation or reimbursement of the contended amounts.

## **CHAPTER VI** **Miscellaneous Provisions**

**SECTION 6.01. Entry into Effect of the Contract.** This Contract shall enter into effect on the signature date by the Borrower.

**SECTION 6.02. Communications and Notices.** (a) Any notice, request, communication, or report from one Party to another by virtue of this Contract related to the execution of the Project, with the exception of the notices indicated in paragraph (b) hereof, 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, or by electronic means under such terms and conditions as agreed by the Parties in writing.

For the Borrower:

Mailing address:

Permanent Secretary, Finance  
Ministry of Finance, Economic Affairs and Investment  
Government Headquarters  
Bay Street,  
St. Michael  
Barbados

Email address: [BarbadosLoans@gob.bb](mailto:BarbadosLoans@gob.bb)

For the Bank:

Mailing address:

Inter-American Development Bank  
Country Office in Barbados  
P.O. Box 402  
Bridgetown BB11000  
Barbados

Facsimile: (1-246) 429-8869

Email address: [IDBBarbados@iadb.org](mailto:IDBBarbados@iadb.org)

(b) Any notice from one party to another by virtue of this Contract regarding matters other than those related to the execution of the Project, including disbursement requests, shall be made in writing and sent by certified mail, electronic mail, or facsimile addressed to its addressee at any of the respective addresses given below and shall be considered to have been made when the relevant document is delivered to the addressee at the respective address given below, or by electronic means under such terms and conditions as agreed by the Parties in writing.

For the Borrower:

Mailing address:

Permanent Secretary, Finance  
Ministry of Finance, Economic Affairs and Investment  
Government Headquarters  
Bay Street,  
St. Michael  
Barbados

Email address: [BarbadosLoans@gob.bb](mailto:BarbadosLoans@gob.bb)

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

**SECTION 6.03. Commitment to Arbitrate.** For the resolution of any conflict arising out of or connected with 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 XII of the General Conditions.

IN WITNESS WHEREOF, the Borrower and the Bank, each acting through its authorized representative, have signed this Contract in Bridgetown, Barbados, on the date indicated above.

GOVERNMENT OF BARBADOS

INTER-AMERICAN DEVELOPMENT  
BANK

  
The Hon. Mia Amor Mottley, Q.C., M.P.  
Prime Minister  
Minister of Finance, Economic Affairs  
and Investment  
Juan Carlos De la Hoz Vinas  
Representative of the Bank in Barbados

Date: February 25<sup>th</sup>, 2021

Date: feb 25, 2021

**LOAN CONTRACT  
GENERAL CONDITIONS  
January 2020**

**CHAPTER I  
Application and Interpretation**

**ARTICLE 1.01. Application of the General Conditions.** These General Conditions are uniformly applicable to loan contracts for the financing of investment projects using the ordinary capital resources of the Bank, which the Bank enters into with its member countries or with other borrowers that, for purposes of the respective loan contract, have the guarantee of a Bank member country.

**ARTICLE 1.02. Interpretation.** (a) **Inconsistency.** In the event of contradiction or inconsistency between the provisions of the Special Conditions, any annex of the Contract, and the Guarantee Contract or Contracts, if any, and these General Conditions, those provisions shall prevail over the provisions of these General Conditions. In the event of contradiction or inconsistency between provisions of a single element of this Contract, or between the provisions of the Special Conditions, any annex of the Contract, and the Guarantee Contract or Contracts, if any, the specific provision shall prevail over the general.

(b) **Headings and Subheadings.** Any heading or subheading of the chapters, articles, clauses, or other sections of this Contract are included solely for reference and should not be taken into account in the interpretation of this Contract.

(c) **Periods.** Unless this Contract provides otherwise, periods expressed in days, months, or years shall be understood as calendar days, months, or years.

**CHAPTER II  
Definitions**

**ARTICLE 2.01. Definitions.** Whenever the following terms are capitalized in this Contract or in the Guarantee Contract(s), if any, they shall have the meaning set forth below. Any reference to the singular includes the plural and vice versa. Any capitalized term used in paragraph 57 of this Article 2.01 and not otherwise defined herein shall have the meaning assigned to it in the 2006 ISDA Definitions, in accordance with the publication of the *International Swaps and Derivatives Association, Inc.*, as amended and supplemented, which is hereby incorporated into this Contract by reference.

1. “Additional Resources” means resources that are additional to those financed by the Bank, which are necessary for the complete and uninterrupted execution of the Project.
2. “Advance of Funds” means the amount of resources advanced by the Bank to the Borrower, chargeable to the Loan, to cover eligible expenditures of the Project, as provided in Article 4.07 of these General Conditions.
3. “Amortization Schedule” means the original schedule set forth in the Special Conditions for the payment of amortization installments of the Loan or any modified schedule agreed to between the Parties pursuant to the provisions of Article 3.02 of these General Conditions.
4. “Amortization Schedule Modification Notification Letter” means a communication by means of which the Bank responds to an Amortization Schedule Modification Request Letter.
5. “Amortization Schedule Modification Request Letter” means the irrevocable communication from the Borrower to the Bank requesting a modification to the Amortization Schedule.
6. “Approval Currency” means the currency in which the Bank approves the Loan, which may be Dollars or any Local Currency.
7. “Bank” shall have the meaning assigned to it in the Special Conditions.
8. “Bank’s Cost of Funding” means a cost margin calculated quarterly relative to a three-month (3-month) LIBOR Interest Rate in Dollars, using the weighted average cost of funding instruments applicable to the Flexible Financing Facility, expressed in terms of an annual percentage, as determined by the Bank.
9. “Base Interest Rate” means the rate determined by the Bank at the time of a Conversion execution (other than a Commodity Conversion), based on: (i) the currency requested by the Borrower; (ii) the type of interest rate requested by the Borrower; (iii) the Amortization Schedule; (iv) the existing market conditions; and (v) one of the following, among others: (1) the three-month (3-month) LIBOR Interest Rate in Dollars plus a margin reflecting the Bank’s estimated cost of funding in Dollars at the time of disbursement or Conversion; (2) the Bank’s actual cost of funding used as a basis for the Conversion; (3) the relevant interest rate index plus a margin reflecting the Bank’s estimated cost of funding in the requested currency at the time of disbursement or Conversion; or (4) with respect to Outstanding Loan Balances that have been subject to a previous Conversion (other than a Commodity Conversion), the interest rate in effect for such Outstanding Loan Balances.
10. “Board” means the Board of Executive Directors of the Bank.

11. “Borrower” shall have the meaning assigned to it in the recitals of the Special Conditions.
12. “Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City or, in the case of a Conversion, in the cities listed in the Conversion Notification Letter.
13. “Calculation Agent” means the Bank, except for the use of such term in the definition of LIBOR Interest Rate, in which case it will have the meaning assigned to it in the 2006 ISDA Definitions, in accordance with the publication of the *International Swaps and Derivatives Association, Inc.*, as amended and supplemented. Any determination made by the Calculation Agent shall be final, conclusive, and binding on the Parties (except in the case of manifest error), and, if made by the Bank as Calculation Agent, shall be duly documented and made in good faith and in a commercially reasonable manner.
14. “Cash Settlement Amount” has the meaning assigned to it in Articles 5.11(b), (c) and (d) of these General Conditions.
15. “Closing Period” means a period of up to ninety (90) days from the expiration date of the Original Disbursement Period, or any extension thereof.
16. “Commodity Call Option” means, with respect to all or part of a Required Outstanding Loan Balance, a cash-settled call option exercisable by the Borrower as contemplated in Article 5.11 of these General Conditions.
17. “Commodity Conversion” means, with respect to all or part of a Required Outstanding Loan Balance, the entry into a Commodity Put Option or a Commodity Call Option pursuant to Article 5.01 of these General Conditions.
18. “Commodity Conversion Date” means the date of entry into a Commodity Conversion. This date shall be set forth in the Conversion Notification Letter.
19. “Commodity Conversion Maturity Date” means the Business Day on which the Commodity Option matures. This date shall be set forth in the Conversion Notification Letter.
20. “Commodity Conversion Settlement Date” means, with respect to a Commodity Conversion, the date on which the Cash Settlement Amount thereof is required to be paid, which shall be that date occurring five (5) Business Days following a Commodity Conversion Maturity Date unless otherwise agreed to by the Parties and specified in the Conversion Notification Letter.

21. “Commodity Option” shall have the meaning assigned to it in Article 5.11(a) of these General Conditions.
22. “Commodity Put Option” means, with respect to all or part of a Required Outstanding Loan Balance, a cash-settled put option exercisable by the Borrower as contemplated in Article 5.11 of these General Conditions.
23. “Consultant Policies” mean the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank in force at the time of the approval of the Loan by the Bank.
24. “Contract” means this loan contract.
25. “Contracting Agency” means the entity with legal capacity to enter into contracts, and which, in agreement with the Borrower or the Executing Agency, as the case may be, assumes all or part of the responsibility for the procurement of goods or works, consulting services or non-consulting services for the Project.
26. “Contracting Entity” means the entity with legal capacity to enter into a contract for the procurement of goods, works, consulting services, and non-consulting services with a contractor, supplier, consulting firm, or individual consultant, as the case may be.
27. “Conversion” means a modification of the terms of all or any portion of the Loan as requested by the Borrower and accepted by the Bank, under the terms of this Contract, which may be: (i) a Currency Conversion; (ii) an Interest Rate Conversion; or (iii) a Commodity Conversion.
28. “Conversion Date” means the Currency Conversion Date, the Interest Rate Conversion Date or the Commodity Conversion Date, as the case may be.
29. “Conversion Notification Letter” means the communication by which the Bank informs the Borrower of the financial terms and conditions upon which a Conversion has been effected, in accordance with the Conversion Request Letter sent by the Borrower.
30. “Conversion Period” means, with respect to any Conversion (other than a Commodity Conversion), the period between the Conversion Date and the last day of the interest period in which the Conversion ends, pursuant to its terms. Notwithstanding the foregoing, for purposes of the last payment of principal and interest, the Conversion Period shall end on the day on which interest corresponding to such interest period is paid.
31. “Conversion Request Letter” means the irrevocable communication of the Borrower to the Bank requesting a Conversion, pursuant to Article 5.01 of these General Conditions.

- 32. “Converted Currency” means any Local Currency or Principal Currency in which all or part of the Loan is denominated after a Currency Conversion has been effected.
- 33. “Core Procurement Principles” means the principles that guide the procurement activities and the selection processes pursuant to the Procurement Policies and the Consultant Policies, being the following: value for money, economy, efficiency, equality, transparency, and integrity.
- 34. “Currency Conversion” means, with respect to a disbursement or with respect to all or part of an Outstanding Loan Balance, a change in the currency of denomination to a Local Currency or a Principal Currency.
- 35. “Currency Conversion Date” means, in relation to Currency Conversions for new disbursements, the effective date on which the Bank makes the disbursement and, in the case of Currency Conversions of Outstanding Loan Balances, the date on which the debt is redenominated. These dates shall be set forth in the Conversion Notification Letter.
- 36. “Derivative Contract” means any contract entered into between the Bank and the Borrower or the Bank and the Guarantor to document and/or confirm one or more derivative transactions agreed to between the Bank and the Borrower, or the Bank and the Guarantor, including any subsequent amendments thereto. All attachments and other supplemental agreements to a Derivative Contract shall form an integral part thereof.
- 37. “Dollar” means the legal tender of the United States of America.
- 38. “Eligible Expenditure” shall have the meaning assigned to it in the Special Conditions.
- 39. “Executing Agency” means the entity with legal capacity responsible for executing the Project and for using the proceeds of the Loan. Whenever there is more than one Executing Agency, these will be co-executing agencies and shall be referred to indistinctly as “Executing Agencies” or “Co-executing Agencies.”
- 40. “Execution Period” means the period in Business Days during which the Bank may effect a Conversion as determined by the Borrower in the Conversion Request Letter. The Execution Period starts on the day the Bank receives the Conversion Request Letter.
- 41. “Final Amortization Date” means the last date of amortization of the Loan, in accordance with the Special Conditions.



- 42. “Financial Plan” means a tool for planning and monitoring the cash flows of the Project, which is used in coordination with other project planning tools, including the Procurement Plan.
- 43. “Flexible Financing Facility” means the financial platform the Bank uses to provide sovereign-guaranteed loans chargeable to the resources of the Bank’s ordinary capital.
- 44. “Full-Term Commodity Conversion” means a Commodity Conversion whose Commodity Conversion Maturity Date coincides with the Final Amortization Date.
- 45. “Full-Term Currency Conversion” means a Currency Conversion for a Conversion Period equal to the period set forth in the Amortization Schedule requested for such Currency Conversion, pursuant to Article 5.03 of these General Conditions.
- 46. “Full-Term Interest Rate Conversion” means an Interest Rate Conversion for a Conversion Period equal to the period set forth in the Amortization Schedule requested for such Interest Rate Conversion, pursuant to Article 5.04 of these General Conditions.
- 47. “General Conditions” mean the entirety of articles which comprise the second part of this Contract.
- 48. “Guarantee Contract,” means the contract, if any, that guarantees the fulfillment of all or part of the obligations contracted by the Borrower under this Contract and under which the Guarantor assumes other obligations for which it is liable.
- 49. “Guarantor” means the member country of the Bank or subnational entity thereof, as the case may be, that enters into the Guarantee Contract with the Bank.
- 50. “Interest Rate Calculation Convention” means the convention regarding the number of days used to calculate interest payments, as set forth in the Conversion Notification Letter.
- 51. “Interest Rate Cap” means the establishment of an upper limit for a variable interest rate.
- 52. “Interest Rate Collar” means the establishment of an upper and a lower limit for a variable interest rate.
- 53. “Interest Rate Conversion” means: (i) a change of interest rate type with respect to all or part of the Outstanding Loan Balance; (ii) the establishment of an Interest Rate Cap or an Interest Rate Collar with respect to all or part of the Outstanding Loan Balance; or (iii) any other hedging option that affects the interest rate applicable to all or part of the Outstanding Loan Balance.

54. “Interest Rate Conversion Date” means the effective date of the Interest Rate Conversion upon which the new interest rate applies. This date shall be set forth in the Conversion Notification Letter.
55. “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.
56. “LIBOR-Based Interest Rate” means the sum of the LIBOR Interest Rate and the Bank’s Cost of Funding, determined on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter.
57. “LIBOR Interest Rate” means the “USD-LIBOR-ICE,” which is the rate administered by the ICE Benchmark Administration (or any other entity which takes over the administration of that rate) for deposits in Dollars for a period of three (3) months that appears on the relevant page of the pages Bloomberg Financial Markets Service or Reuters Service, or, if unavailable, on the relevant page of any other service selected by the Bank that displays such rate, as of 11:00 a.m., London time, on the day that is two (2) London Banking Days preceding the Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter. If such LIBOR Interest Rate does not appear on the relevant page, the LIBOR Interest Rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be determined as if the Parties had specified “USD-LIBOR-Reference Banks” as the applicable LIBOR Interest Rate. For these purposes, “USD-LIBOR-Reference Banks” means that the LIBOR Interest 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 a 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 on 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 the LIBOR Interest Rate. If at least two (2) quotations are provided, the LIBOR Interest 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 LIBOR Interest 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 the 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, for loans in Dollars to the 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 a LIBOR Interest Rate to the Bank as a result of the procedure described above, the Bank will determine, at its own discretion, the applicable LIBOR Interest Rate on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter, 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 LIBOR Interest Rates quoted on the first day immediately thereafter which is a Banking Day in New York City shall be utilized.

- 58. “Loan” shall have the meaning assigned to it in the Special Conditions.
- 59. “Local Currency” means any currency other than the Dollar that is legal tender in the countries of Latin America and the Caribbean.
- 60. “Notional Quantity” means, with respect to a Commodity Conversion, the number of units of the underlying commodity.
- 61. “Option Type” means the type of Commodity Option for which the Bank could, subject to market availability, operational and risk management considerations, execute a Commodity Conversion, including but not limited to, European, fixed-strike arithmetic Asian and binary options.
- 62. “Original Disbursement Period” means the original period for disbursements of the Loan, which is set forth in the Special Conditions.
- 63. “Original WAL” means the WAL of the Loan in effect as of the date of signature of this Contract and set forth in the Special Conditions.
- 64. “Outstanding Loan Balance” means the amount that the Borrower owes the Bank for the portion of the Loan that has been disbursed.
- 65. “Partial-Term Commodity Conversion” means a Commodity Conversion whose Commodity Conversion Maturity Date occurs prior to the Final Amortization Date.
- 66. “Partial-Term Currency Conversion” means a Currency Conversion for a shorter Conversion Period than the period set forth in the Amortization Schedule requested for such Currency Conversion, pursuant to Article 5.03 of these General Conditions.
- 67. “Partial-Term Interest Rate Conversion” means an Interest Rate Conversion for a shorter Conversion Period than the period set forth in the Amortization Schedule

requested for such Interest Rate Conversion, pursuant to Article 5.04 of these General Conditions.

68. “Parties” shall have the meaning assigned to it in the introduction to the Special Conditions.
69. “Payment Valuation Date” means a date that is determined based on a number of Business Days prior to any amortization or interest payment date, as specified in a Conversion Notification Letter.
70. “Principal Currency” means any currency other than the Dollar or Local Currency that is legal tender in the member countries of the Bank.
71. “Procurement Plan” means a tool for programming and monitoring the procurement related to the Project, in the terms described in the Special Conditions, Procurement Policies, and Consultant Policies.
72. “Procurement Policies” mean the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank in force at the time of the approval of the Loan by the Bank.
73. “Prohibited Practices” mean the practices prohibited by the Bank in connection with the activities it finances, as defined by the Board or that are defined in the future and communicated to the Borrower, including among others: corrupt practice, fraudulent practice, coercive practice, collusive practice, obstructive practice, and misappropriation.
74. “Project” or “Program” means the project or program identified in the Special Conditions comprising a set of activities with a development objective that are financed by proceeds of the Loan.
75. “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.
76. “Required Outstanding Loan Balance” has the meaning assigned to it in Article 5.02(f) of these General Conditions.
77. “Semester” means the first or second six (6) months of a calendar year.
78. “Settlement Currency” means the currency used to settle the Loan’s principal and interest payments. For fully deliverable currencies, the Settlement Currency shall be the Converted Currency. For non-deliverable currencies, the Settlement Currency shall be the Dollar.

79. “Special Conditions” mean the entirety of provisions which comprise the first part of this Contract.
80. “Specified Price” means the price of the underlying commodity according to the Underlying Commodity Index on the Commodity Conversion Maturity Date except that, for certain Option Types, such price will be calculated on the basis of a formula to be determined in the Conversion Notification Letter.
81. “Strike Price” means, with respect to a Commodity Conversion, the fixed price at which (i) the owner of a Commodity Call Option is entitled to purchase, or (ii) the owner of a Commodity Put Option is entitled to sell, the underlying commodity (on a cash-settled basis).
82. “Underlying Commodity Index” means a published index that is a measure of the price of the underlying commodity that is the subject of a Commodity Option. The source and calculation of the Underlying Commodity Index will be set forth in the Conversion Notification Letter. If the Underlying Commodity Index relating to a commodity is (i) not calculated and announced by the sponsor thereof in effect on the Commodity Conversion Date but is calculated and announced by a successor sponsor acceptable to the Calculation Agent; or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Underlying Commodity Index, then in each case that index will be the Underlying Commodity Index.
83. “Valuation Exchange Rate” is equal to the number of units of the Converted Currency per Dollar, applicable on each Payment Valuation Date, pursuant to the source established in the Conversion Notification Letter.
84. “WAL” means the weighted average life, whether the Original WAL or the weighted average life resulting from a modification of the Amortization Schedule, as a result of a Conversion or otherwise. The WAL is calculated in years (to two decimal places), based on the Amortization Schedule of all tranches of the Loan and is defined as the division of (i) by (ii) below, where:
- (i) is the sum of the products of (A) and (B), defined as:
    - (A) the amount of each amortization payment;
    - (B) the difference in the number of days between the amortization payment date and the execution date of this Contract, divided by 365 days;
  - and*
  - (ii) the sum of amortization payments.

The applicable formula is the following:

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

where:

*WAL* is the weighted average life of all tranches of the Loan, expressed in years.

*m* is the total number of tranches of the Loan.

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

*A<sub>ij</sub>* is the amortization amount referring to payment *i* of tranche *j*, calculated in Dollars, or in the case of a Conversion, in Dollar equivalent, at the exchange rate determined by the Calculation Agent, for the date of modification of the Amortization Schedule.

*PD<sub>ij</sub>* is the payment date referring to payment *i* of tranche *j*.

*ED* is the date of signature of this Contract.

*TA* is the sum of all *A<sub>ij</sub>*, calculated in Dollars, or in the case of a Conversion, in Dollar equivalent, as of the date of the calculation at the exchange rate determined by the Calculation Agent.

### CHAPTER III

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

##### **ARTICLE 3.01. Dates of Payment of Amortization, Interest, Credit Fee, and Other Costs.**

The Loan will be amortized in accordance with the Amortization Schedule. Interest and amortization installments will be paid on the fifteenth (15th) day of the month, as set forth in the Special Conditions, in an Amortization Schedule Modification Notification Letter, or in a Conversion Notification Letter, as the case may be. The dates for payment of an amortization payment, credit fee, and other costs shall always coincide with an interest payment date.

**ARTICLE 3.02. Modification of the Amortization Schedule.** (a) The Borrower, with the prior consent of the Guarantor, if any, may request the modification of the Amortization Schedule at any time from the entry into effect of the Contract up until sixty (60) days prior to the expiration of the Original Disbursement Period. The Borrower may also request the modification of the Amortization Schedule in the case of a Currency Conversion or an Interest Rate Conversion, as set forth in Articles 5.03 and 5.04 of these General Conditions.

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

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

- (i) the last amortization date and the cumulative WAL of all the Amortization Schedules do not exceed the Final Amortization Date or the Original WAL, as the case may be;
- (ii) the Loan tranche subject to a new Amortization Schedule is not less than the equivalent of three million Dollars (US\$3,000,000); and
- (iii) the Loan tranche subject to the modification of the Amortization Schedule has not been subject to a prior modification, unless the new Amortization Schedule modification is the result of a Currency Conversion.

(d) The Bank will notify the Borrower of its decision in an Amortization Schedule Modification Notification Letter. If the Bank accepts the Borrower's request, the Amortization Schedule Modification Notification Letter will include: (i) the new Amortization Schedule for the Loan or Loan tranche; (ii) the cumulative WAL of the Loan; and (iii) the effective date of the new Amortization Schedule.

(e) The Loan may not have more than four (4) Loan tranches denominated in a Principal Currency with different Amortization Schedules. The number of Loan tranches in Local Currency may exceed this amount, subject to the Bank's operational and risk management considerations.

(f) To ensure that the WAL continues to be equal to or less than the Original WAL of the Loan at all times, whenever the WAL of the Loan exceeds the Original WAL, the Amortization Schedule shall be modified. Accordingly, the Bank shall notify the Borrower of any such event, and request that it establish a new amortization schedule, pursuant to the provisions of this Article. Unless the Borrower expressly requests otherwise, such modification will consist of moving

forward the Final Amortization Date, with a corresponding adjustment to the amortization installments.

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

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

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

(c) **Interest on Outstanding Loan Balances subject to an Interest Rate Cap.** If an Interest Rate Conversion has been effected to establish an Interest Rate Cap, and the interest rate payable by the Borrower pursuant to this Article exceeds the Interest Rate Cap at any time during the Conversion Period, the maximum interest rate applicable during such Conversion Period shall be equal to the Interest Rate Cap.

(d) **Interest on Outstanding Loan Balances Subject to an Interest Rate Collar.** If an Interest Rate Conversion has been effected to establish an Interest Rate Collar, and the interest rate payable by the Borrower pursuant to this Article exceeds the upper limit or falls below the lower limit of the Interest Rate Collar at any time during the Conversion Period, the maximum interest rate applicable during such Conversion Period shall be equal to the upper limit of the Interest Rate Collar, and the minimum interest rate applicable during such Conversion Period shall be equal to the lower limit of the Interest Rate Collar.

(e) **Changes to the Interest Rate Calculation Basis.** The Parties agree that, notwithstanding any change in market practice that may, at any moment, affect the determination of the LIBOR Interest Rate, the Borrower's payments shall remain linked to the Bank's funding.



For purposes of obtaining and maintaining such link under such circumstances, the Parties expressly agree that the Calculation Agent, seeking to reflect the Bank's corresponding funding, shall determine: (i) the occurrence of such changes; and (ii) the alternate base rate applicable to determine the appropriate amount to be paid by the Borrower. The Calculation Agent shall notify the Borrower and the Guarantor of the applicable alternate base rate, if any, with no less than sixty (60) days prior notice. The alternate base rate shall become effective on the expiration of such notice period.

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

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

(c) The credit fee shall cease to accrue: (i) when all disbursements have been made; and (ii) in full or in part, as the case may be, when the Loan has been totally or partially cancelled pursuant to Articles 4.02, 4.12, 4.13 or 8.02 of these General Conditions.

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

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

**ARTICLE 3.07. Currency of Payment for Amortization, Interest, Credit Fee, and Inspection and Supervision Expenses.** Interest and principal payments shall be made in Dollars, unless a Currency Conversion has been effected, in which case the provisions of Article 5.05 of these General Conditions shall apply. The credit fee and the inspection and supervision fee shall always be paid in the Approval Currency.

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

different Amortization Schedules, the Borrower shall prepay individual tranches in their entirety, unless the Bank agrees otherwise.

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

(c) For purposes of paragraphs (a) and (b) above, the following payments shall be considered as prepayments: (i) the return of unjustified Advances of Funds; and (ii) payments resulting from all or a part of the Loan being declared immediately due and payable, pursuant to Article 8.02 of these General Conditions.

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

**ARTICLE 3.09. Application of Payments.** All payments shall be applied first to any return of unjustified Advances of Funds after the expiration of the Closing Period, then to fees and interest due on the payment date, and if a balance exists, to the amortization of installments of principal due.

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

**ARTICLE 3.11. Place of Payments.** All payments shall be made at the principal office of the Bank in Washington, District of Columbia, United States of America, unless the Bank designates another place or places for this purpose by written notification to the Borrower.

## CHAPTER IV

### **Disbursements, Renunciation, and Automatic Cancellation**

#### **ARTICLE 4.01. Conditions Precedent to First Disbursement of Resources of the Loan.**

Without prejudice to the other requirements set forth in the Special Conditions, the first disbursement of the resources of the Loan shall be subject to the fulfillment of the following requirements to the satisfaction of the Bank:

- (a) The Bank shall have received one or more well-founded legal opinions which establish, with citations of the pertinent constitutional, legal, and regulatory provisions, that the obligations undertaken by the Borrower in this Contract, and those of the Guarantor in the Guarantee Contracts, if any, are valid and enforceable. Such opinions shall also refer to any other legal question that the Bank may deem relevant.
- (b) The Borrower or the Executing Agency, as the case may be, shall have designated one or more officials to represent it for purposes of requesting disbursements of the Loan and for other acts relating to the financial management of the Project, and shall have furnished the Bank with authentic copies of the signatures of said representatives. Should two or more officials be designated, the designation shall indicate whether such officials may act separately or must act jointly.
- (c) The Borrower or the Executing Agency, as the case may be, shall have provided to the Bank information in writing, through its representative authorized to request disbursements of the Loan, regarding the bank account into which disbursements of the Loan are to be deposited. Separate accounts shall be required for disbursements in Local Currency, Dollars, and Principal Currency. This information will not be necessary in the event the Bank agrees that the resources of the Loan are to be posted in the Borrower's general treasury account.
- (d) The Borrower or Executing Agency, as the case may be, shall have demonstrated to the Bank that it has an adequate financial information system and internal control structure for the purposes indicated in this Contract.

**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 other conditions precedent to the first disbursement agreed upon in the Special Conditions have not been fulfilled, the Bank may terminate this Contract in advance by giving notice to the Borrower.

**ARTICLE 4.03. Conditions for All Disbursements.** (a) As a condition for all disbursements and without prejudice to the conditions precedent to the first disbursement of the resources of the Loan established in Article 4.01 of these General Conditions and in the Special Conditions, if any, the Borrower or the Executing Agency, as the case may be, undertakes to present to the Bank in writing, whether physically or by electronic means, in such form and conditions as may be

specified by the Bank, a disbursement request together with the pertinent documents and other background materials required by the Bank. Unless the Bank agrees otherwise, the last disbursement request shall be presented to the Bank no later than thirty (30) days in advance of the expiration date of the Original Disbursement Period or any extension thereof.

(b) Unless the Parties agree otherwise, disbursements shall be made only in amounts of not less than the equivalent of one hundred thousand Dollars (US\$100,000) each.

(c) Any charge, fee, or expense assessed to the bank account into which disbursements of the resources of the Loan are deposited shall be borne by, and are the responsibility of, the Borrower or the Executing Agency, as the case may be.

(d) In addition, the Guarantor shall not be more than one hundred twenty (120) days late on the payment of sums owed to the Bank on any loan or guarantee.

**ARTICLE 4.04. Income Generated in the Bank Account for Disbursements.** Income generated from the resources of the Loan deposited in the bank account designated to receive disbursements shall be used to finance Eligible Expenditures.

**ARTICLE 4.05. Disbursement Methods.** At the request of the Borrower or the Executing Agency, as the case may be, the Bank may make disbursements of the resources of the Loan through: (a) reimbursement of expenditures; (b) Advance of Funds; (c) direct payments to third parties; and (d) reimbursement under a letter of credit guarantee.

**ARTICLE 4.06. Reimbursement of Expenditures.** (a) The Borrower or the Executing Agency, as the case may be, may request disbursements under the reimbursement of expenditures method when the Borrower or the Executing Agency, as the case may be, has paid for Eligible Expenditures with its own resources.

(b) Unless the Parties agree otherwise, disbursement requests for reimbursing expenditures shall be made promptly to the extent that the Borrower or the Executing Agency, as the case may be, has incurred such expenditures, and not later than sixty (60) days following the conclusion of each calendar semester.

**ARTICLE 4.07. Advance of Funds.** (a) The Borrower or the Executing Agency, as the case may be, may request disbursements under the Advance of Funds method. The amount of the Advance of Funds shall be set by the Bank on the basis of (i) the liquidity needs of the Project in order to cover periodic projections of Eligible Expenditures during a period of up to six (6) months, unless the Financial Plan provides for a longer period, which in no case may exceed twelve (12) months, and (ii) the risks associated with the capacity demonstrated by the Borrower or the Executing Agency, as the case may be, to manage and use the resources of the Loan.

(b) Each Advance of Funds shall be subject to: (i) the request for Advance of Funds being presented in a manner acceptable to the Bank; and (ii) with the exception of the first Advance of Funds, the Borrower or the Executing Agency, as the case may be, having presented a justification for the use of at least eighty percent (80%) of the total cumulative balances pending

justification for this purpose, and the Bank having accepted such justification, unless the Financial Plan specifies a lower percentage, which in no case may be less than fifty percent (50%).

(c) The Bank may, during the term of the Financial Plan, provide for a one-time increase in the amount of the last Advance of Funds granted to the Borrower or the Executing Agency, as the case may be, to the extent that additional resources are needed to pay Eligible Expenditures that were unforeseen in said plan.

(d) The Borrower or the Executing Agency, as the case may be, shall present the last Advance of Funds request no later than thirty (30) days prior to the date of the expiration of the Original Disbursement Period or any extension thereof, in the understanding that the justification for such Advance of Funds shall be presented to the Bank during the Closing Period. The Bank shall not disburse resources subsequent to the expiration of the Original Disbursement Period or any extension thereof.

(e) The value of each Advance of Funds to the Borrower or the Executing Agency, as the case may be, must be maintained in the equivalent value expressed in the respective disbursement currency or in the Approval Currency. Eligible Expenditures incurred with resources of an Advance of Funds must be justified in the equivalent of the total amount of the Advance of Funds expressed in the respective disbursement currency or in the Approval Currency, using the exchange rate established in this Contract. The Bank may accept adjustments in the justification of the Advance of Funds due to exchange rate fluctuations, provided that they do not impact the execution of the Project.

**ARTICLE 4.08. Direct payments to third parties.** (a) The Borrower or the Executing Agency, as the case may be, may request disbursements under the method of direct payments to third parties, by means of which the Bank directly pays Eligible Expenditures to providers or contractors on behalf of the Borrower or the Executing Agency, as the case may be.

(b) In case of direct payments to third parties, the Borrower or the Executing Agency shall be responsible for payment of the amount equivalent to the difference between the amount of the disbursement requested by the Borrower or the Executing Agency and the amount received by the third party as the result of exchange rate fluctuations, commissions, and other financial costs.

(c) Notwithstanding paragraph (a) above and Article 8.04(b) of these General Conditions, whenever the Bank so determines, it may, by written notice to the Borrower or the Executing Agency, as appropriate, render void the request for direct payment submitted by the Borrower or the Executing Agency, as the case may be.

**ARTICLE 4.09. Reimbursement under a Letter of Credit Guarantee.** The Borrower or the Executing Agency, as the case may be, may request disbursements through reimbursement under a letter of credit, in order to reimburse commercial banks for payments made to contractors or providers of goods and services by virtue of a letter of credit issued and/or confirmed by a commercial bank and guaranteed by the Bank. The letter of credit must be issued and/or confirmed in a manner satisfactory to the Bank. The resources committed under the letter of credit and

guaranteed by the Bank shall be used exclusively for the purposes established in the letter of credit for as long as the guarantee remains in effect.

**ARTICLE 4.10. Exchange rate.** (a) The Borrower undertakes to justify, or to cause the Executing Agency to justify, as the case may be, expenditures chargeable to the Loan or the Additional Resources, expressing such expenditures in either the currency of denomination or the Approval Currency of the respective disbursement.

(b) To determine the equivalence of an Eligible Expenditure incurred in the Local Currency of the Borrower's country to the currency in which the disbursements are made, or alternatively to the Approval Currency, for purposes of accounting and justification of expenses, regardless of the source of financing of the Eligible Expenditure, one of the following exchange rates shall be used, pursuant to the Special Conditions:

- (i) the exchange rate in force on the date on which the Approval Currency or disbursement currency is converted into the Local Currency of the Borrower's country; or
- (ii) the exchange rate in force on the date of payment of the expenditure in the Local Currency of the Borrower's country.

(c) In those cases in which the exchange rate established in paragraph (b)(i) of this Article is selected, to determine the equivalent of expenditures incurred in the Local Currency chargeable to the Additional Resources or the reimbursement of expenditures chargeable to the Loan, the rate used shall be the exchange rate agreed upon with the Bank in the Special Conditions.

**ARTICLE 4.11. Receipts.** At the request of the Bank, the Borrower shall sign and deliver to the Bank, upon completion of disbursements, a receipt or receipts for the amounts disbursed.

**ARTICLE 4.12. Renunciation of Part of the Loan.** The Borrower, with the concurrence of the Guarantor, if any, may renounce, by notice to the Bank, its right to utilize any part of the Loan which has not been disbursed before the receipt of such notice, provided that the resources of the Loan are not subject to the guarantee of an irrevocable letter of credit, pursuant to Article 8.04 of these General Conditions.

**ARTICLE 4.13 Automatic Cancellation of Portion of the Loan.** Upon expiration of the Original Disbursement Period and any extension thereof, any portion of the Loan not committed or disbursed shall automatically be cancelled.

**ARTICLE 4.14. Closing Period.** (a) The Borrower undertakes to carry out, or to cause the Executing Agency to carry out, as the case may be, the following actions during the Closing Period: (i) finalize pending payments to third parties, if any; (ii) reconcile its records and present to the Bank's satisfaction the supporting documentation relating to expenditures charged to the Project and other information that the Bank may request; and (iii) return to the Bank the unjustified balance of disbursed resources of the Loan.

(b) Notwithstanding the foregoing, if this Contract provides for external financial audit reports financed with resources of the Loan, the Borrower or the Executing Agency, as the case may be, agrees to reserve, in the manner agreed with the Bank, sufficient resources to cover the payment of the corresponding auditing services. In this case, the Borrower or the Executing Agency, as the case may be, also undertakes to agree with the Bank as to how the corresponding payments for such audits will be made. In the event the Bank does not receive the above-mentioned external financial audit reports within the periods stipulated in this Contract, the Borrower or the Executing Agency, as the case may be, agrees to return to the Bank the resources reserved for such purpose, which shall not be construed as a waiver by the Bank to exercise the rights set forth in Chapter VIII of this Contract.

## **CHAPTER V**

### **Conversions**

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

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

- (i) **For all Conversions.** (A) Loan number; (B) amount subject to Conversion; (C) Conversion type (Currency Conversion, Interest Rate Conversion or Commodity Conversion); (D) account number where funds shall be deposited, if applicable; and (E) Interest Rate Calculation Convention.
- (ii) **For Currency Conversions.** (A) currency into which the Borrower requests to convert the Loan; (B) Amortization Schedule associated with such Currency Conversion, which may have an amortization period equal to or less than the Final Amortization Date; (C) the portion of the disbursement or Outstanding Loan Balance to which the Conversion shall apply; (D) the type of interest rate applicable to the amounts subject to the Currency Conversion; (E) whether the Currency Conversion is a Partial-term Conversion or a Full-term Conversion; (F) Settlement Currency; (G) Execution Period; and (H) any other instructions regarding the Currency Conversion request. If the Conversion Request Letter relates to a disbursement, the request shall indicate the amount of the disbursement in units of the Approval Currency, in Dollar units, or in units of the desired currency for the Conversion, except in the case of the last disbursement, in which case the request shall be made in units of the Approval Currency. In such cases, if the Bank effects the Conversion, the disbursements shall be denominated in the Converted Currency and the disbursements shall be

made in: (i) the Converted Currency; or (ii) an equivalent amount in Dollars at the exchange rate set forth in the Conversion Notification Letter, to be determined by the Bank when sourcing its financing. If the Conversion Request Letter relates to Outstanding Loan Balances, the request shall indicate the amount in units of the currency of denomination of the Outstanding Loan Balances.

- (iii) **For Interest Rate Conversions.** (A) type of interest rate requested; (B) the portion of the Outstanding Loan Balance to which the Interest Rate Conversion shall apply; (C) whether the Interest Rate Conversion is a Partial-term Interest Rate Conversion or a Full-term Interest Rate Conversion; (D) the Amortization Schedule associated with the Interest Rate Conversion, which may have an amortization period equal to or less than the Final Amortization Date; (E) for Interest Rate Conversions establishing an Interest Rate Cap or an Interest Rate Collar, the applicable upper and/or lower limits, as the case may be; and (F) any other instructions regarding the Interest Rate Conversion request.
- (iv) **For Commodity Conversions.** (A) whether a Commodity Put Option or Commodity Call Option is requested; (B) the Option Type; (C) the identity of the commodity that is the subject of such Commodity Conversion (including the physical properties thereof); (D) the Notional Quantity; (E) the Underlying Commodity Index; (F) the Strike Price; (G) the Commodity Conversion Maturity Date; (H) whether the Conversion is a Full-Term Commodity Conversion or a Partial-Term Commodity Conversion; (I) the formula for the determination of the Cash Settlement Amount, if applicable; (J) the Required Outstanding Loan Balance; (K) a specification of the bank account information where the Cash Settlement Amount, if any, will be paid by the Bank to the Borrower on the Commodity Conversion Settlement Date; (L) at the option of the Borrower, the maximum amount of premium it is willing to pay to enter into a Commodity Conversion given a certain Notional Quantity and Strike Price, as contemplated in paragraph (e) below; and (M) any other instructions regarding the Commodity Conversion request.

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

(d) Once the Bank has received a Conversion Request Letter, it will proceed to review the same. If the Bank finds such letter acceptable, it will effect the Conversion during the Execution Period pursuant to the terms of this Chapter V. Once the Conversion has been effected, the Bank



will deliver a Conversion Notification Letter to the Borrower indicating the financial terms and conditions of the Conversion.

(e) With respect to Commodity Conversions, the Borrower may indicate in the Conversion Request Letter the maximum amount of premium it is willing to pay to enter into a Commodity Conversion given a certain Notional Quantity and Strike Price. If no limit is specified, the Bank may execute the related commodity hedge at the prevailing premium market price. Alternatively, at a given Dollar premium amount and a defined Strike Price, the Borrower may instruct the Bank to execute the related commodity hedge. The resulting Notional Quantity will reflect market conditions at the time of execution.

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

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

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

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

- (a) The feasibility of the Bank to execute any Conversion will depend on the ability of the Bank to source its funding or, if applicable, on the ability of the Bank to enter into any hedge on terms and conditions acceptable to the Bank in its sole discretion, in accordance with its policies, and will be subject to legal, operational, and risk management considerations and prevailing market conditions.
- (b) The Bank will not execute Conversions on amounts that are less than the equivalent of three million Dollars (US\$3,000,000), unless: (i) in the case of the last disbursement, the undisbursed amount is less; or (ii) in the case of a fully disbursed Loan, the Outstanding Loan Balance under any tranche of the Loan is less.

- (c) The number of Currency Conversions to Principal Currencies may not exceed four (4) during the term of this Contract. This limit shall not apply to Currency Conversions to Local Currency.
- (d) The number of Interest Rate Conversions may not exceed four (4) during the term of this Contract.
- (e) There will be no limit to the number of Commodity Conversions that can be executed during the term of this Contract.
- (f) Each Commodity Conversion will only be executed by the Bank in relation to Outstanding Loan Balances in accordance with the following formula (hereinafter, the "Required Outstanding Loan Balance"):
  - (i) For Commodity Call Options, the Required Outstanding Loan Balance will be the Notional Quantity \*  $(Z - \text{Strike Price})$ , where Z is the highest expected forward commodity price at the Commodity Conversion Maturity Date, for the relevant Option Type, as calculated by the Bank; and
  - (ii) For Commodity Put Options, the Required Outstanding Loan Balance will be the Notional Quantity \*  $(\text{Strike Price} - Y)$ , where Y is the lowest expected forward commodity price at the Commodity Conversion Maturity Date, for the relevant Option Type, as calculated by the Bank.
- (g) Any modification to the Amortization Schedule requested by the Borrower at the time of requesting a Currency Conversion shall be subject to the provisions of Articles 3.02(c) and 5.03(b) of these General Conditions. Any modification to the Amortization Schedule requested by the Borrower at the time of requesting an Interest Rate Conversion shall be subject to the provisions of Articles 3.02(c) and 5.04(b) of these General Conditions.
- (h) The Amortization Schedule defined in the Conversion Notification Letter, resulting from a Currency Conversion or Interest Rate Conversion may not be subsequently modified during the Conversion Period, unless the Bank agrees otherwise.
- (i) Unless the Bank agrees otherwise, an Interest Rate Conversion with respect to amounts that have been subject to a previous Currency Conversion may only be effected: (i) on the entire Outstanding Loan Balance associated with such Currency Conversion; and (ii) for a term equal to the remaining term of such Currency Conversion.

**ARTICLE 5.03. Partial or Full-Term Currency Conversion.** (a) The Borrower may request a Full-Term Currency Conversion or a Partial-Term Currency Conversion.

(b) A Full-Term Currency Conversion and a Partial-Term Currency Conversion may be requested and executed at any time until the Final Amortization Date. Notwithstanding the

foregoing, if the Borrower makes a request within less than sixty (60) days prior to the expiration of the Original Disbursement Period, such Currency Conversion will have the limitation that the Outstanding Loan Balance under the new Amortization Schedule requested for the Conversion shall at no time exceed the Outstanding Loan Balance under the original Amortization Schedule, taking into account the exchange rates set forth in the Conversion Notification Letter.

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

(d) Prior to the expiration of a Partial-Term Currency Conversion, the Borrower, with the consent of the Guarantor, if any, may request from the Bank one of the following options:

- (i) Effecting a new Currency Conversion, upon delivery of a new Conversion Request Letter not less than fifteen (15) Business Days prior to the expiration date of the Partial-Term Currency Conversion. Such new Currency Conversion will have the additional limitation that the Outstanding Loan Balance under the new Amortization Schedule shall at no time exceed the Outstanding Loan Balance under the Amortization Schedule requested in the original Partial-Term Currency Conversion. If, subject to market conditions, it is feasible to effect a new Conversion, the Outstanding Loan Balance of the amount originally converted will continue to be denominated in the Converted Currency, applying the new Base Interest Rate that reflects prevailing market conditions at the time of effecting the new Conversion.
- (ii) The prepayment of the Outstanding Loan Balance of the converted amount, by providing the Bank written notice at least thirty (30) days prior to the expiration date of the Partial-Term Currency Conversion. This prepayment shall be made on the expiration date of the Partial-Term Currency Conversion in the Settlement Currency pursuant to Article 5.05 of these General Conditions.

(e) For purposes of paragraph (d) of this Article 5.03, the Outstanding Loan Balance originally subject to a Currency Conversion shall be automatically converted to Dollars on the expiration of the respective Partial-Term Currency Conversion, and shall be subject to the Interest Rate set forth in Article 3.03(a) of these General Conditions if: (i) the Bank is unable to effect a new Conversion; or (ii) fifteen (15) days before the expiration date of the Partial-Term Currency Conversion, the Bank has not received a request from the Borrower pursuant to paragraph (d) of this Article 5.03; or (iii) on the expiration date of the Partial-Term Currency Conversion, the Borrower fails to make the requested prepayment.

(f) If the Outstanding Loan Balance originally subject to a Currency Conversion is converted to Dollars as provided in paragraph (e) above, the Bank, at the expiration of the Partial-

Term Currency Conversion, shall inform the Borrower, and the Guarantor, if any, of the amounts converted to Dollars and the applicable exchange rate determined by the Calculation Agent, based on prevailing market conditions.

(g) The Outstanding Loan Balance converted to Dollars may be subject to a new Currency Conversion, subject to the provisions of this Chapter V.

(h) At the expiration of a Full-Term Currency Conversion, the Borrower shall pay in full the Outstanding Loan Balance of the converted amount in the Settlement Currency, pursuant to Article 5.05 of these General Conditions, and cannot request a new Currency Conversion.

(i) Within thirty (30) days from the date of cancellation or modification of a Currency Conversion, the Borrower shall receive from the Bank, or alternatively, shall pay to the Bank, as applicable, the amounts corresponding to any gain or cost incurred by the Bank as a result of unwinding or reallocating its corresponding funding (or any related hedge) associated with the cancellation or modification of such Currency Conversion. In case of a gain, the amount will be credited first to any amounts due and payable by the Borrower to the Bank.

**ARTICLE 5.04. Partial or Full-Term Interest Rate Conversion.** (a) The Borrower may request a Full-Term Interest Rate Conversion or a Partial-Term Interest Rate Conversion.

(b) A Full-Term Interest Rate Conversion and a Partial-Term Interest Rate Conversion may be requested and executed at any time until the Final Amortization Date. Notwithstanding the foregoing, if the Borrower makes a request within less than sixty (60) days prior to the expiration of the Original Disbursement Period, such Conversion will be subject to the limitation that the Outstanding Loan Balance under the new Amortization Schedule requested for the Conversion shall at no time exceed the Outstanding Loan Balance under the original Amortization Schedule.

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

(d) In the case of a Partial-Term Interest Rate Conversion on amounts denominated in Dollars, the interest rate applicable to the Outstanding Loan Balances upon the expiration of the Partial-Term Interest Rate Conversion shall be the interest rate set forth in Article 3.03(a) of these General Conditions. Partial-Term Interest Rate Conversions of Outstanding Loan Balances denominated in currencies other than the Dollar shall be subject to the requirements of Article 5.02(g) and shall therefore be subject to the same treatment relative to the expiration of the Conversion Period of the Partial-Term Currency Conversion, as set forth in Article 5.03(d) of these General Conditions.

(e) Within thirty (30) days from the date of cancellation or modification of an Interest Rate Conversion, the Borrower shall receive from the Bank, or alternatively, shall pay to the Bank,

as applicable, the amounts corresponding to any gain or cost incurred by the Bank as a result of unwinding or reallocating its corresponding funding (or any related hedge) associated with the cancellation or modification of such Interest Rate Conversion. In case of a gain, the amount will be credited first to any amounts due and payable by the Borrower to the Bank.

**ARTICLE 5.05. Payment of Interest and Amortization Installments in the Event of a Currency Conversion.** Pursuant to Article 3.07 of these General Conditions, following a Currency Conversion, interest and amortization installments of converted amounts shall be paid in the Settlement Currency. If the Settlement Currency is the Dollar, the Valuation Exchange Rate in effect on the Payment Valuation Date for the respective expiration date shall be applied, as set forth in the Conversion Notification Letter.

**ARTICLE 5.06. Early Termination of a Conversion.** The Borrower can request in writing an early termination of a Conversion which will be subject to the Bank's ability to terminate its corresponding funding or related hedge. In that case, the Borrower shall receive from the Bank, or alternatively, shall pay to the Bank, as applicable, any gain (including any payoff resulting from the early termination of a commodity hedge) or cost incurred by the Bank as a result of unwinding or reallocating its corresponding funding (or any related hedge), as determined by the Calculation Agent. In case of a cost, the Borrower shall promptly pay the corresponding amount to the Bank. In case of a gain it will be credited first to any amount due and payable by the Borrower to the Bank, such as any fees or premium payments.

**ARTICLE 5.07. Transaction Fees Applicable to Conversions.** (a) The transaction fees applicable to Conversions undertaken under this Contract shall be those determined by the Bank periodically. Each Conversion Notification Letter shall indicate, if applicable, the transaction fee the Borrower shall be required to pay to the Bank for the execution of the respective Conversion, which fee shall remain in effect throughout the Conversion Period of such Conversion.

(b) The transaction fee applicable to a Currency Conversion: (i) shall be expressed in the form of basis points per annum; (ii) shall accrue in the Converted Currency from the Conversion Date (inclusive) on the Outstanding Loan Balance of such Currency Conversion; and (iii) shall be paid together with each interest payment as set forth in Article 5.05 of these General Conditions.

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

(d) Notwithstanding the transaction fees provided for in paragraphs (b) and (c) above, in the case of Currency Conversions or Interest Rate Conversions involving an Interest Rate Cap or an Interest Rate Collar, a transaction fee associated with such Interest Rate Cap or Interest Collar shall apply. Such transaction fee: (i) shall be denominated in the same currency as the Outstanding Loan Balance subject to the Interest Rate Cap or Interest Rate Collar; and (ii) shall be paid in a

lump sum, in the Settlement Currency, on the first interest payment date, as set forth in Article 5.05 of these General Conditions.

(e) The transaction fee applicable to a Commodity Conversion: (i) shall be expressed in the form of basis points; (ii) shall be calculated on the basis of the Notional Quantity times the commodity closing price on the Commodity Conversion Date according to the Underlying Commodity Index; and (iii) shall be paid in Dollars, in a lump sum upfront or in installments, as agreed upon between the Bank and the Borrower and specified in the Conversion Notification Letter. In no event shall the Borrower pay such fee to the Bank later than the Commodity Conversion Maturity Date, or, if the case may be, the date in which a Commodity Conversion is terminated early pursuant to Article 5.06 of these General Conditions.

(f) In case of an early termination of a Commodity Conversion, an additional transaction fee will apply, which: (i) shall be expressed in the form of basis points; (ii) shall be calculated on the basis of the Notional Quantity times the commodity closing price on the date of the early termination according to the Underlying Commodity Index; and (iii) shall be paid in Dollars, as a lump-sum amount, promptly upon termination.

**ARTICLE 5.08. Funding Expenses and Premiums or Discounts Associated with a Conversion.** (a) In the event that the Bank uses its actual cost of funding to determine the Base Interest Rate, the Borrower shall pay the fees and expenses incurred by the Bank in sourcing its funding. In addition, any premiums or discounts related to the Bank's funding shall be paid by or credited to the Borrower, as the case may be. These expenses and premiums or discounts will be specified in the Conversion Notification Letter.

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

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

**ARTICLE 5.09. Premiums Payable in Connection with Interest Rate Caps or Interest Rate Collars.** (a) In addition to the transaction fees payable pursuant to Article 5.07 of these General Conditions, the Borrower shall pay the Bank a premium on the Outstanding Loan Balance subject to the Interest Rate Cap or Interest Rate Collar requested by the Borrower, equivalent to the premium paid by the Bank to a counterparty, if any, as a result of the purchase of the Interest Rate Cap or Interest Rate Collar. Such premium shall be paid: (i) in the currency of denomination of the Outstanding Loan Balance subject to the Interest Rate Cap or Interest Rate Collar, or its equivalent in Dollars, at the exchange rate set forth in the Conversion Notification Letter, which shall be the exchange rate determined at the time the Bank sourced the funding or entered into the related hedge; and (ii) in a lump sum amount, on a date agreed by the Parties, but in no event later than thirty (30) days after the Conversion Date; unless, if operationally feasible for the Bank, the Bank agrees to a different payment mechanism.

(b) If the Borrower requests an Interest Rate Collar, it may request the Bank to establish the lower limit of the Interest Rate Collar to ensure that the premium corresponding to the lower limit be equal to the premium corresponding to the upper limit, thereby establishing an Interest Rate Collar at no cost (zero cost collar). If the Borrower selects the upper and lower limits, the premium payable to the Bank by the Borrower with respect to the upper limit of the Interest Rate Collar will be offset by the premium payable by the Bank with respect to the lower limit of the Interest Rate Collar. Nevertheless, the premium payable to the Borrower by the Bank in respect of the lower limit of the Interest Rate Collar may in no case exceed the premium payable by the Borrower to the Bank with respect to the upper limit of the Interest Rate Collar. Accordingly, during the Execution Period, the Bank may reduce the lower limit of the Interest Rate Collar such that the corresponding premium does not exceed the premium on the upper limit of the Interest Rate Collar.

**ARTICLE 5.10. Premiums in Connection with a Commodity Conversion.** In addition to the transaction fees payable pursuant to Article 5.07 of these General Conditions, but subject to Article 5.01(e) of these General Conditions, the Borrower shall pay to the Bank a premium equivalent to the premium paid by the Bank to a counterparty for entering into a related commodity hedge. Such premium shall be paid in Dollars, in a lump-sum amount upfront or in installments, as agreed upon between the Bank and the Borrower and specified in the Conversion Notification Letter. The Bank may agree to alternative payment mechanisms, such as expressing the premium in the form of basis points per annum, in which case it will be paid together with interest on each interest payment date. In no event shall the Borrower pay such premium to the Bank later than the Commodity Conversion Maturity Date, or, if the case may be, the date in which a Commodity Conversion is terminated early pursuant to Article 5.06.

**ARTICLE 5.11. Commodity Conversions.** Each Commodity Conversion shall be entered into on the following terms and conditions:

- (a) Each Commodity Conversion shall relate to either a Commodity Put Option or a Commodity Call Option (each, a “Commodity Option”). A Commodity Option shall constitute the grant by the Bank to the Borrower of the right (exercisable as provided in this Article 5.11) to cause the Bank to pay the Cash Settlement Amount, if any, on the Commodity Conversion Settlement Date.
- (b) If, at the Commodity Conversion Maturity Date under a Commodity Call Option, the Specified Price exceeds the Strike Price, the “Cash Settlement Amount” shall equal the product of (i) the excess of the Specified Price over the Strike Price multiplied by (ii) the Notional Quantity of such Commodity Option. Otherwise, the “Cash Settlement Amount” for such Commodity Call Option shall be zero.
- (c) If, at the Commodity Conversion Maturity Date under a Commodity Put Option, the Strike Price exceeds the Specified Price, the “Cash Settlement Amount” shall equal the product of (i) the excess of the Strike Price over the Specified Price multiplied by (ii) the Notional Quantity of such Commodity Option. Otherwise, the “Cash Settlement Amount” for such Commodity Put Option shall be zero.

- (d) In case the Commodity Conversion refers to a binary Option Type, the “Cash Settlement Amount” will be determined on the basis of a formula to be specified in the Conversion Notification Letter (Article 5.01(b)(iv)(I) of these General Conditions).
- (e) On the Commodity Conversion Maturity Date, the Bank will determine and give notice to the Borrower of the Cash Settlement Amount. If the Cash Settlement Amount is greater than zero, the Bank will pay such amount to the Borrower on the Commodity Conversion Settlement Date. If a loan made to the Borrower, or guaranteed by the Borrower, is in arrears for over thirty (30) days, then the Bank may deduct from the Cash Settlement Amount due to the Borrower all amounts due and payable by the Borrower to the Bank under any loan made to or guaranteed by the Borrower that is in arrears for any length of time (either for more, or for less, than thirty (30) days).
- (f) If the Borrower shall fail to make a payment when due of any premium payable under the Commodity Conversion, and such failure is not cured within a reasonable time, the Bank may by written notice to the Borrower terminate the related Commodity Option, whereupon the Borrower shall pay to the Bank an amount determined by the Bank to be the amount that would be incurred by the Bank as a result of its unwinding or reallocating any related commodity hedge. Alternatively, the Bank may choose not to terminate the Commodity Option, in which case any Cash Settlement Amount resulting upon a Commodity Conversion Maturity Date will be applied as provided for in Article 5.06 of these General Conditions.

**ARTICLE 5.12. Market Quotes Disruption Events.** The Parties acknowledge that the amortization and interest payments made by the Borrower in connection with amounts subject to a Conversion, shall at all times be linked to the corresponding funding of the Bank in relation to payments under such Conversion. Therefore, the Parties agree that, notwithstanding the occurrence of any disruption event that may materially affect the currency exchange rates, interest rates, and inflation adjustment index used in this Contract, if any, or in any Conversion Notification Letter, the Borrower’s payments shall remain linked to the Bank’s funding. For purposes of obtaining and maintaining such link under such circumstances, the Parties expressly agree that the Calculation Agent, acting in good faith and in a commercially reasonable manner, seeking to reflect the Bank’s corresponding funding, shall determine the applicability of: (a) such disruption events; and (b) the replacement rate or index applicable to determine the appropriate amount to be paid by the Borrower.

**ARTICLE 5.13. Cancellation and Reversal of the Currency Conversion.** If, after the signature date of this Contract, a change in a law, decree, or other applicable rule or regulation is enacted or issued, or if there is a change in the interpretation of a law, decree, or other applicable rule or regulation in force at the time this Contract is signed that, as reasonably determined by the Bank, prevents the Bank from continuing to maintain, in whole or in part, its funding in the Converted Currency, for the remainder of the period and under the same terms as the corresponding Currency Conversion, the Borrower, upon being notified by the Bank, shall have the option to redenominate the Outstanding Loan Balance subject to the Currency Conversion to Dollars at the



exchange rate applicable at that time, as determined by the Calculation Agent. Such Outstanding Loan Balance shall remain subject to the Amortization Schedule agreed for such Currency Conversion and the Interest Rate set forth in Article 3.03(a) of these General Conditions. Alternatively, the Borrower may prepay to the Bank all amounts that it owes in the Converted Currency, pursuant to the provisions of Article 3.08 of these General Conditions.

**ARTICLE 5.14. Gains or Costs Associated with the Redenomination into Dollars.** If the Borrower, with the consent of the Guarantor, if any, decides to redenominate the Outstanding Loan Balance subject to a Currency Conversion into Dollars pursuant to Article 5.13 above, within thirty (30) days after the redenomination date, the Borrower shall receive from the Bank, or alternatively, shall pay to the Bank, as applicable, the amounts corresponding to any gain or cost as determined by the Calculation Agent, up until the Dollar redenomination date, in connection with variations in the interest rates. In case of a gain, the amount will be credited first to any amounts due and payable by the Borrower to the Bank.

**ARTICLE 5.15. Delay in Payment in Case of Currency Conversion.** In the event of any payment delay in respect of amounts of principal or financial charges that the Borrower owes the Bank as a result of a Conversion and any premiums payable to the Bank pursuant to Article 5.09 in a currency other than the Dollar, the Bank may charge interest at a floating rate in the Converted Currency determined by the Calculation Agent, plus a spread of 100 basis points (1%) over the total amount in arrears, irrespective of the applicability of additional charges to ensure a full transfer of costs in the event such spread is not sufficient for the Bank to recover the costs incurred as a result of such delay.

**ARTICLE 5.16. Additional Costs in Case of Conversions.** If an action or omission by the Borrower, or the Guarantor, if any, including: (a) nonpayment of principal, interest, and fees relating to a Conversion on the due dates; (b) revoking or changing the terms set forth in a Conversion Request Letter; (c) nonfulfillment of a partial or full prepayment of the Outstanding Loan Balance in the Converted Currency, if such prepayment had been previously requested by the Borrower in writing; (d) a change in laws or regulations that have an impact on the maintenance of all or part of the Loan on the agreed Conversion terms; or (e) other actions not described above, results in the Bank incurring additional costs to those described in this Contract, the Borrower shall pay the Bank such amounts, as determined by the Calculation Agent, to ensure a full transfer of the costs incurred by the Bank.

## **CHAPTER VI**

### **Execution of the Project**

**ARTICLE 6.01. Financial Management Systems and Internal Control.** (a) The Borrower shall maintain, or cause the Executing Agency and Contracting Agency, if any, to maintain, as the case may be, internal controls so as to reasonably ensure: (i) that Project resources are used for the purposes of this Contract, devoting special attention to the principles of economy and efficiency; (ii) that Project assets are adequately safeguarded; (iii) that Project transactions, decisions, and activities are duly authorized and executed in accordance with the provisions of this Contract and

any other contract related to the Project; and (iv) that transactions are properly documented and recorded in a way that facilitates the production of timely and reliable reports.

(b) The Borrower shall maintain, and shall cause the Executing Agency and the Contracting Agency, if any, to maintain, an acceptable and reliable financial management system for the timely management of Project resources that provides for: (i) financial planning; (ii) accounting, budgetary, and financial record-keeping; (iii) contract administration; (iv) payment processing; (v) the issuance of financial audit reports and other reports associated with the resources of the Loan, the Additional Resources, and other financing sources of the Project, if any.

(c) The Borrower shall preserve, and shall cause the Executing Agency or the Contracting Agency, as the case may be, to preserve, the original records of the Project for a minimum period of three (3) years after the expiration date of the Original Disbursement Period or any extension thereof. Such documents and records shall be maintained adequately in order to: (i) substantiate Project-related activities, decisions, and transactions, including all expenditures incurred; and (ii) show the correlation of the expenditures incurred under the Loan to the respective disbursement made by the Bank.

(d) The Borrower shall include, or cause the Executing Agency and the Contracting Agency, if any, to include in all bidding documents, requests for proposals, and contracts financed with the resources of the Loan that they enter into, respectively, a provision requiring that providers of goods or services, contractors, subcontractors, consultants and their agents, personnel, subconsultants, subcontractors, or concessionaires contracted by them, keep all documents and records related to activities financed with resources of the Loan for a period of seven (7) years after completion of the work contemplated in the relevant contract.

**ARTICLE 6.02. Additional Resources.** The Borrower, directly or through the Executing Agency, as the case may be, commits to contribute Additional Resources in a timely manner. If, as of the approval date of the Loan by the Bank, it has been determined that Additional Resources are needed, the estimated amount of such Additional Resources shall be that specified in the Special Conditions. Whether or not an estimate of the amount of the Additional Resources has been determined shall neither limit nor diminish the obligation of the Borrower, directly or through the Executing Agency, to contribute in a timely manner all additional resources which may be necessary for the complete and uninterrupted execution of the Project.

**ARTICLE 6.03. General Provisions for Execution of the Project.** (a) The Borrower shall execute, or cause the Executing Agency, as the case may be, to execute the Project in accordance with the objectives thereof, with due diligence in an economically, financially, administratively, and technically efficient manner, and in accordance with the provisions of this Contract and the plans, specifications, investment schedule, budgets, regulations, and other relevant documents of the Project approved by the Bank. The Borrower or the Executing Agency, as the case may be, further agrees that all of its obligations shall be fulfilled to the satisfaction of the Bank.

(b) Any significant modification of the plans, specifications, investment schedule, budgets, regulations, or other documents which the Bank approves, as well as any substantial change in contracts financed with resources of the Loan, shall require the written consent of the Bank.

(c) In case of contradiction or inconsistency between the provisions of this Contract and any plan, specification, investment schedule, budget, regulations, or other relevant document of the Project approved by the Bank, the provisions of this Contract shall prevail over those documents.

**ARTICLE 6.04. Selection and Contracting of Works and Non-consulting Services, Procurement of Goods, and Selection and Contracting of Consulting Services.** (a) Subject to the provisions of paragraph (b) of this Article, the Borrower undertakes to carry out and, where appropriate, cause the Executing Agency or the Contracting Agency, if any, to carry out the procurement of works and non-consulting services, as well as the procurement of goods, in accordance with the Procurement Policies and the Procurement Plan approved by the Bank, and the selection and contracting of consulting services, in accordance with the Consultant Policies and the Procurement Plan approved by the Bank. The Borrower represents that it is aware of the Procurement Policies and Consultant Policies and undertakes to inform the Executing Agency, and the Contracting Agency, as the case may be, of these Policies.

(b) When the Bank has satisfactorily assessed and deemed acceptable the procurement rules, procedures and systems of the Borrower or an entity of the Borrower, the Borrower or the Executing Agency, as the case may be, may carry out the procurement and contracting financed wholly or partially with resources of the Loan using such procurement rules, procedures and systems, in accordance with the terms of the acceptance of the Bank and applicable accepted legislation and processes. The terms of such acceptance shall be notified in writing by the Bank to the Borrower and the Executing Agency. Use of the procurement rules, procedures and systems of the Borrower or an entity of the Borrower may be suspended by the Bank when, in its opinion, changes have occurred in the parameters or practices the Bank used as the basis for its acceptance, until such time as the Bank determines whether such changes are compatible with international best practices. During such suspension, the Procurement Policies and Consultant Policies of the Bank will apply. The Borrower, directly or through the Executing Agency, as the case may be, undertakes to notify the Bank of any change in the applicable legislation or processes that have been so accepted. The use of procurement rules, procedures and systems of the Borrower or an entity of the Borrower does not constitute a waiver of the application of the provisions set forth in Section I of the Procurement Policies and Consultant Policies, including the requirement that the respective procurement and contracting of services be contained in the Procurement Plan and is subject to the remaining provisions of this Contract. The provisions of Section I of the Procurement Policies and Consultant Policies shall apply to all contracts, regardless of amount or contracting method. The Borrower agrees to include, or to cause the Executing Agency, as the case may be, to include in the model bidding documents, contracts, and instruments used in electronic or information systems (in physical or electronic media) measures to ensure the application of the provisions set forth in Section I of the Procurement Policies and Consultant Policies, including the provisions on Prohibited Practices.

(c) The Borrower agrees to update, or to cause the Executing Agency, as the case may be, to maintain an updated Procurement Plan, and to update the Procurement Plan at least annually or more frequently, depending on the Project needs. Each updated version of the Procurement Plan shall be submitted for review and approval of the Bank.

(d) The Bank will conduct a review of the selection, contracting, and procurement processes, as set forth in the Procurement Plan. At any time during the execution of the Project, the Bank may change the method of review of these processes, with prior notice to the Borrower or the Executing Agency. The changes approved by the Bank shall be reflected in the Procurement Plan.

**ARTICLE 6.05. Use of Goods.** Except as otherwise expressly authorized by the Bank, any goods procured with the resources of the Loan shall be used exclusively for the purposes of the Project.

**ARTICLE 6.06. Environmental and Social Safeguards.** (a) The Borrower, directly or through the Executing Agency, as the case may be, agrees to carry out the execution (preparation, construction, and operation) of the activities included in the Project in accordance with the environmental and social policies of the Bank, pursuant to the specific provisions on environmental and social considerations included in the Special Conditions.

(b) The Borrower, directly or through the Executing Agency, as the case may be, agrees to immediately inform the Bank of any noncompliance with the environmental and social obligations set forth in the Special Conditions.

(c) The Borrower, directly or through the Executing Agency, as the case may be, agrees to implement a corrective action plan, agreed upon with the Bank, to mitigate, correct, and compensate any adverse consequences that may result from the failure to comply with the implementation of the environmental and social obligations set forth in the Special Conditions.

(d) The Borrower agrees to allow the Bank, whether directly or through the contracting of consulting services, to carry out supervision activities, including environmental and social audits of the Project, in order to confirm compliance with the environmental and social obligations set forth in the Special Conditions.

**ARTICLE 6.07. Ineligible Expenditures for the Project.** In the event that the Bank determines that an expenditure incurred does not meet the requirements to be considered an Eligible Expenditure or Additional Resources, the Borrower or the Executing Agency, as the case may be, shall take such actions as are necessary to remedy the situation, as required by the Bank, without prejudice to any other measures the Bank may exercise under this Contract.

**CHAPTER VII**  
**Supervision and Evaluation of the Project**

**ARTICLE 7.01.    Inspections.** (a) The Bank may establish such procedures as it deems necessary to ensure the satisfactory development of the Project.

(b)     The Borrower shall permit, or cause the Executing Agency, as the case may be, and the Contracting Agency, if any, to permit the Bank, its investigators, agents, auditors, and experts it engages, to inspect, at any time, the Project and the facilities, equipment, and materials involved therein, and to examine such systems, records, and documents as the Bank may deem pertinent. In addition, the Borrower or the Executing Agency, as the case may be, and the Contracting Agency, if any, shall ensure that their agents fully cooperate with the personnel which the Bank sends or designates for this purpose. All the costs relating to transportation, salaries, and other expenses of such personnel shall be borne by the Bank.

(c)     The Borrower shall provide, or cause the Executing Agency, as the case may be, and the Contracting Agency, if any, to provide to the Bank any documents relating to the Project that the Bank may request, in a form and within a time frame acceptable to the Bank. Without prejudice to any measures the Bank may take under this Contract in the event such documentation is not available, the Borrower or the Executing Agency, as the case may be, and the Contracting Agency, if any, shall submit an affidavit to the Bank setting forth the reasons why the requested material is unavailable or is being withheld.

(d)     The Borrower shall include, or cause the Executing Agency, as the case may be, and the Contracting Agency, if any, to include a provision in bidding documents, requests for proposals, and contracts entered into by them relating to the execution of the Loan in order to: (i) allow the Bank, its investigators, agents, auditors, or experts, to inspect accounts, records, and other documents relating to the submission of bids and to the performance of the corresponding contract or agreement; and (ii) provide that such accounts, records, and documents may be submitted to the auditors designated by the Bank for an opinion.

**ARTICLE 7.02.    Plans and Reports.** To enable the Bank to supervise progress in the execution of the Project and the scope of its results, the Borrower, directly or through the Executing Agency, as the case may be shall:

- (a)     Present to the Bank the information, plans, reports, and other documents in such form and substance as the Bank may reasonably request, based on the progress of the Project and its level of risk;
- (b)     Comply with the actions and obligations established in such plans, reports, and other documents agreed upon with the Bank;
- (c)     Inform the Bank upon identifying any risks or significant changes that cause or may cause delays or difficulties in Project execution; and

- (d) Inform the Bank within no more than thirty (30) days of the initiation of any proceedings, claim, suit, or legal, arbitral, or administrative action relating to the Project and keep the Bank informed on the status thereof.

**ARTICLE 7.03. External Financial Audit Reports and other Financial Reports.** (a) Unless the Special Conditions establish otherwise, the Borrower, directly or through the Executing Agency, as the case may be, shall present the Bank with the external financial audit reports and other reports identified in the Special Conditions within one hundred twenty (120) days following the closing of each fiscal year of the Project and within the Original Disbursement Period or any extension thereof, and within one hundred twenty (120) days following the date of the last disbursement.

(b) In addition, the Borrower, directly or through the Executing Agency, as the case may be, shall present to the Bank other financial reports in such form and with such content and frequency as the Bank may reasonably request during the Project's execution when, in the opinion of the Bank, the analysis of the level of the Project's fiduciary risk, complexity, or nature so warrant.

(c) Any external audit that may be required under the provisions of this Article and the corresponding provisions of the Special Conditions shall be performed by independent auditors who have been previously accepted by the Bank or by a supreme audit institution previously accepted by the Bank, in accordance with auditing principles and standards acceptable to the Bank. The Borrower, directly or through the Executing Agency, as the case may be, shall authorize the supreme audit institution or the independent auditors to provide the Bank with such additional information it may reasonably request with respect to the external financial audit reports.

(d) The Borrower, directly or through the Executing Agency, as the case may be, shall select and contract the independent auditors indicated in paragraph (c) above, in accordance with the procedures and terms of reference agreed upon with the Bank. In addition, the Borrower or the Executing Agency, as the case may be, shall provide to the Bank any information it requests relating to the independent auditors under contract.

(e) In the event an external audit required under the provisions of this Article and the corresponding provisions of the Special Conditions is to be performed by a supreme audit institution and such agency is unable to perform the audit in accordance with requirements satisfactory to the Bank or within the deadlines, for the period, or with the frequency stipulated in this Contract, the Borrower or the Executing Agency, as the case may be, shall select and contract the services of independent auditors acceptable to the Bank, as provided under paragraphs (c) and (d) of this Article.

(f) Notwithstanding the provisions above, the Bank may, on an exceptional basis, select and contract the services of independent auditors to audit the financial audit reports provided for in this Contract when: (i) pursuant to the findings of a Bank-conducted cost-benefit analysis, it is determined that the benefits associated with the hiring of such services by the Bank outweigh the costs; (ii) there is limited access to auditing services in the country; or (iii) special circumstances warrant the selecting and hiring of such services by the Bank.

(g) The Bank reserves the right to request the Borrower or the Executing Agency, as the case may be, to have external audits other than financial audits or to have services carried out relating to the auditing of projects, of the Executing Agency and related entities, of the financial information system, and of the bank accounts of the Project, among others. The nature, frequency, scope, timing, methodology, type of applicable auditing norms, reports, auditor selection procedures, and terms of reference for the audits shall be agreed upon between the Parties.

## **CHAPTER VIII**

### **Suspension of Disbursements, Accelerated Maturity, and Partial Cancellations**

**ARTICLE 8.01. 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 resources of the Loan used for ineligible expenditures, or for any other reason, under this Contract or any other contract entered into between the Bank and the Borrower, including another loan contract or Derivative Contract.
- (b) Nonfulfillment by the Guarantor, if any, of any payment obligation set forth in the Guarantee Contract; any other contract entered into between the Guarantor, as Guarantor, and the Bank; or any Derivative Contract entered into with the Bank.
- (c) Noncompliance by the Borrower, the Guarantor, if any, or the Executing Agency, as the case may be, of any other obligation set forth in any contract entered into with the Bank for the financing of the Project, including this Contract, the Guarantee Contract, or any Derivative Contract entered into with the Bank, as well as noncompliance by the Borrower or the Executing Agency, as the case may be, with any contract they enter into for the execution of the Project.
- (d) Withdrawal or suspension from membership in the Bank of the country in which the Project is to be executed.
- (e) When, in the opinion of the Bank, the objective of the Project or the Loan may be adversely affected or the execution of the Project may be improbable owing to:
  - (i) any restriction, modification, or alteration of the legal capacity, functions, or assets of the Borrower or the Executing Agency, as the case may be; or
  - (ii) any modification or change made without the written concurrence of the Bank of any condition fulfilled before the approval of the Loan by the Bank.
- (f) Any extraordinary circumstance which, in the opinion of the Bank: (i) makes it unlikely that the Borrower, the Executing Agency, or the Guarantor, as the case may be, will be able to fulfill the obligations established in this Contract or the

Guarantee Contract, respectively; or (ii) prevents the fulfillment of the Project's development objectives.

- (g) Whenever the Bank determines that an employee, agent, or representative of the Borrower, the Executing Agency, or the Contracting Agency, as the case may be, has engaged in a Prohibited Practice in connection with the Project.

**ARTICLE 8.02. Early Termination and Cancellation of Undisbursed Balances.** The Bank, by means of a written notification, may declare the entire Loan or a portion thereof immediately due and payable, together with interest, fees, and other charges accrued up to the date of payment, and may cancel the undisbursed portion of the Loan, if:

- (a) any of the circumstances set forth in paragraphs (a), (b), (c), and (d) of the preceding Article continues for more than sixty (60) days;
- (b) any of the circumstances set forth in paragraphs (e) and (f) of the previous Article occurs and so long as it continues, and the Borrower or the Executing Agency, as the case may be, fails to provide to the Bank the clarifications or additional information that the Bank considers necessary;
- (c) the Bank determines that any firm, entity, or individual bidding for or participating in a Bank-financed activity, including applicants, bidders, contractors, consulting firms and individual consultants, personnel, subcontractors, subconsultants, providers of goods or services, concessionaires, financial intermediaries, or a Contracting Entity (including their respective officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted), has engaged in a Prohibited Practice in connection with the Project; and that the Borrower, the Executing Agency, or the Contracting Agency, as the case may be, has not taken adequate remedial measures (including providing adequate notice to the Bank upon learning of the Prohibited Practice) within a period of time the Bank considers reasonable; and
- (d) the Bank determines at any time that a procurement of goods or the contracting of works or non-consulting services was carried out without following the procedures set forth in this Contract. In this case, the cancellation or early termination will apply to the portion of the Loan used for such procurement or contracting.

**ARTICLE 8.03. Provisions Not Affected.** The application of the measures provided in 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.

**ARTICLE 8.04. Disbursements Not Affected.** Notwithstanding the provisions of Articles 8.01 and 8.02 above, none of the measures set forth in this Chapter shall affect the disbursement by the Bank of any amounts of the resources of the Loan: (a) subject to the guarantee of an irrevocable letter of credit; (b) which, by specific written agreement with the Borrower, the



Executing Agency, or the Contracting Agency, as the case may be, the Bank has agreed to provide to pay Eligible Expenditures directly to the respective supplier, unless the Bank has provided a notification to the Borrower or the Executing Agency in accordance with Article 4.08(c) of these General Conditions; and (c) payable to Bank, pursuant to the Borrower's instructions.

## **CHAPTER IX**

### **Prohibited Practices**

**ARTICLE 9.01. Prohibited Practices.** (a) In addition to the provisions established in Articles 8.01(g) and 8.02(c) of these General Conditions, if the Bank determines, that a firm, entity, or individual bidding for or participating in a Bank-financed activity, including, among others, applicants, bidders, contractors, consulting firms and individual consultants, personnel, subcontractors, subconsultants, providers of goods or services, concessionaires, financial intermediaries, or a Contracting Entity (including their respective officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted) has engaged in a Prohibited Practice in connection with the execution of the Project, the Bank may take the following actions, including:

- (i) Denying financing of contracts for the procurement of goods or the contracting of works or consulting or non-consulting services.
- (ii) Declaring a contract ineligible for Bank financing whenever there is evidence that the agent of the Borrower, the Executing Agency, or the Contracting Entity, as the case may be, has not taken adequate remedial measures (including providing adequate notice to the Bank upon learning of the commission of the Prohibited Practice) within a period of time the Bank considers reasonable.
- (iii) Issuing the firm, entity, or individual determined to be responsible a reprimand in the form of a formal letter of censure for its behavior.
- (iv) Declaring a firm, entity, or individual determined to be responsible for engaging in the Prohibited Practice ineligible, either permanently or temporarily, to participate in Bank-financed activities, whether directly as a contractor or supplier, or indirectly as a subconsultant, subcontractor, or a supplier of goods, consulting services, or non-consulting services.
- (v) Referring the matter to appropriate law enforcement authorities.
- (vi) Imposing fines representing reimbursement to the Bank of costs associated with investigations and proceedings.

(b) The provisions of Article 8.01(g) and Article 9.01(a)(i) shall also apply in cases in which the Contracting Agency or any firm, entity, or individual bidding for or participating in a Bank-financed activity, including applicants, bidders, contractors, consulting firms and individual

consultants, personnel, subcontractors, subconsultants, providers of goods or services, concessionaires (including their respective officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted) has been temporarily suspended from eligibility to take part in a bidding or other selection process for the awarding of new contracts pending the final outcome of an investigation into a Prohibited Practice.

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

(d) Any firm, entity, or individual bidding for or participating in a Bank-financed activity, including applicants, bidders, contractors, consulting firms and individual consultants, personnel, subcontractors, subconsultants, providers of goods or services, concessionaires, or a Contracting Entity (including their respective officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted) may be sanctioned by the Bank pursuant to agreements the Bank may have with other international financial institutions regarding the mutual enforcement of debarment decisions. For purposes of this paragraph (d), the term “sanction” shall mean any permanent or temporary debarment, conditions on future contracting, or any publicly disclosed action taken in response to a violation of an international financial institution’s applicable framework for addressing allegations of Prohibited Practices.

(e) When the Borrower procures goods or contracts works or non-consulting services directly from a specialized agency under an agreement between the Borrower and such specialized agency, all provisions under this Contract regarding sanctions and Prohibited Practices shall apply in their entirety to applicants, bidders, providers of goods and their agents, contractors, consultants, personnel, subcontractors, subconsultants, service providers, concessionaires (including their respective officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted), or to any other entities that have signed contracts with such specialized agency, to supply goods, works, or non-consulting services in connection with Bank-financed activities. The Borrower or the Executing Agency, as the case may be, agrees to adopt, as may be required by the Bank, remedies such as suspension or termination of the corresponding contract. The Borrower agrees that the contracts it enters into with specialized agencies shall include provisions requiring them to consult the Bank’s list of firms and individuals debarred either temporarily or permanently by the Bank from participating in a procurement or contracting operation financed wholly or partially with resources of the Loan. In the event a specialized agency signs a contract or purchase order with a firm or an individual temporarily or permanently debarred by the Bank as indicated in this Article, the Bank will not finance such contracts or expenditures and will apply such other remedies as it deems appropriate.

## **CHAPTER X**

### **Provision on Encumbrances and Exemptions**

**ARTICLE 10.01. Commitment on Encumbrances.** The Borrower shall not create any specific encumbrance on all or part of its assets or revenues to secure an external debt without, at the same time, creating an encumbrance guaranteeing to the Bank, equally and proportionally, the fulfillment of the pecuniary obligations arising from this Contract. 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 10.02. Tax exemption.** The Borrower undertakes to ensure that principal, interest, fees, premiums, and any other Loan charge, as well as any other payment for expenses or costs that may be imputed to this Contract, 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, recording, and execution of this Contract.

## **CHAPTER XI**

### **Miscellaneous Provisions**

**ARTICLE 11.01. Assignment of Rights.** (a) The Bank may assign 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 immediately notify the Borrower of each assignment.

(b) The Bank may grant participations in respect of either outstanding loan balances or amounts of the Loan which are still undisbursed at the time of entering into the participation agreement.

(c) With the prior consent of the Borrower and of the Guarantor, if any, the Bank may assign all or part of the undisbursed amount of the Loan to other public or private institutions. To that end, the portion subject to assignment shall be denominated in terms of a fixed number of units of either the Approval Currency or Dollars. Likewise, with the prior consent of the Borrower and of the Guarantor, if any, the Bank may set, for the portion subject to assignment, an interest rate other than that established in this Contract.

**ARTICLE 11.02. Modifications and Contractual Waivers.** Any modification or waiver of the provisions of this Contract shall be agreed upon in writing by the Parties, with the consent of the Guarantor, if any, and to the extent that such consent may be applicable.

**ARTICLE 11.03. Non-waiver of Rights.** Any delay or failure by the Bank to exercise its rights pursuant to this Contract may not be construed as a waiver of such rights or as implied acceptance of events, actions, or circumstances that would have empowered it to exercise them.

**ARTICLE 11.04. Termination.** (a) The Contract and all obligations arising from it shall be deemed terminated upon full payment of the principal, interest, fees, premiums, and all other expenses related to the Loan, as well as all other expenses, costs and payments arising from this Contract, with the exception of those referred to in paragraph (b) of this Article.

(b) The obligations acquired by the Borrower under this Contract with respect to Prohibited Practices and other obligations relating to the operational policies of the Bank, shall remain in effect until such obligations are deemed fulfilled to the satisfaction of the Bank.

**ARTICLE 11.05. Validity.** The rights and obligations established in this Contract are valid and enforceable in accordance with the terms agreed upon herein, regardless of the laws of any given country.

**ARTICLE 11.06. Disclosure of Information.** The Bank may disclose this Contract and any information related thereto, in accordance with its access to information policy in effect at the time of such disclosure.

## **CHAPTER XII** **Arbitration Procedure**

**ARTICLE 12.01. 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 the "President," by direct agreement between the Parties or through their respective arbitrators. In all decisions, the President of the tribunal shall have the right to cast a double vote in the case of deadlock. If the Parties or the arbitrators fail to agree on who the President shall be, or if one of the Parties is unable to designate an arbitrator, the President 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 President. If either of the appointed arbitrators or the President is unwilling or unable to act or to continue to act, his or her successor shall be appointed in the same manner as for the original appointment. The successor shall have the same functions as his or her predecessor.

(b) In any conflict, both the Borrower and the Guarantor 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 12.02. Initiation of the Procedure.** In order to submit the conflict to arbitration, the claimant shall address to the other party a written notification setting forth the nature of the claim, the satisfaction or compensation it seeks, and the name of the arbitrator it appoints. The party receiving such notification shall, within forty-five (45) days, notify the adverse party of the name of the person it appoints as arbitrator. If, within seventy-five (75) days as of the notification of the

initiation of the arbitral proceeding, the Parties have not agreed upon the person who is to act as President, either party may request the Secretary General of the Organization of American States to make the appointment.

**ARTICLE 12.03. 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 President, and, once convened, shall meet on the dates which the tribunal itself shall establish.

**ARTICLE 12.04. Procedure.** (a) The tribunal is specifically empowered to decide any matter under its jurisdiction and shall adopt its own procedures. In any case, it shall give the Parties the opportunity to make oral presentations. All decisions of the tribunal shall be made by majority vote.

(b) The Tribunal shall base its rulings on the terms of the Contract, and shall render its award even if one of the Parties fails to appear.

(c) The award shall be in writing and shall be adopted with the concurrent vote of at least two (2) members of the tribunal. It shall be handed down within approximately sixty (60) days from the date on which the President 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 notification signed by at least two (2) 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 12.05. Costs.** The fees of each arbitrator and the costs of arbitration (with the exception of attorneys' fees and the fees of other experts, which shall be covered by the Parties that appointed them) shall be covered by both Parties in equal proportion. 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 12.06. 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 I****Contingent Loan for Natural Disaster Emergencies****Automatic Redirection List****Fund: ORC****Country: Barbados**As of January 31, 2021  
(Expressed in US\$)

Project	Operation Number	Status	Project Name	Original Amount	Disbursed Life	Available Amount
BA-L1025	2748/OC-BA	DI	Public Sector Smart Energy (PSSE) Program	17,000,000.00	13,864,863.92	3,135,136.08
BA-L1034	3389/OC-BA	DI	Enhanced Access to Credit for Productivity Project	17,500,000.00	17,492,022.88	7,977.12
BA-L1032	3542/OC-BA	DI	Strengthening Human and Social Development in Barbados	5,000,000.00	1,137,968.58	3,862,031.42
BA-L1035	3588/OC-BA	DI	Road Rehabilitation and Improving Connectivity of Road Infrastructure	25,000,000.00	9,369,817.61	15,630,182.39
BA-L1012	3843/OC-BA	DI	Deployment of Cleaner Fuels and Renewable Energies in Barbados	34,000,000.00	12,632,493.58	21,367,506.42
BA-L1033	4342/OC-BA	DI	National Tourism Program	20,000,000.00	355,388.85	19,644,611.15
BA-L1043	4865/OC-BA	EL	Sustainable Energy Investment Program (SMART FUND II)	30,000,000.00	0.00	30,000,000.00
BA-L1046	4920/OC-BA	DI	Public Sector Modernization Programme	40,000,000.00	1,814,409.92	38,185,590.08
BA-L1051	5205/OC-BA	AF	Global Credit Program for Safeguarding the Productive Sectors and Employment	30,000,000.00	0.00	30,000,000.00
<b>Total</b>				<b>218,500,000.00</b>	<b>56,666,965.34</b>	<b>161,833,034.66</b>