

**LOAN CONTRACT No. 5276/OC-BH**

between

**THE COMMONWEALTH OF THE BAHAMAS**

and the

**INTER-AMERICAN DEVELOPMENT BANK**

**Boosting Resilient and Inclusive Growth in the Bahamas II**

## **LOAN CONTRACT**

### **PART ONE**

#### **SPECIAL CONDITIONS**

#### **INTRODUCTION**

##### **Parties, Objective, Constituent Elements, and Executing Agency**

#### **1. PARTIES AND OBJECTIVE OF THE CONTRACT**

CONTRACT entered into between THE COMMONWEALTH OF THE BAHAMAS (hereinafter referred to as the “Borrower”) and the INTER-AMERICAN DEVELOPMENT BANK (hereinafter referred to as the “Bank”) to cooperate in the execution of a program to boost resilient and inclusive growth in The Bahamas (hereinafter referred to as the “Program”).

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

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

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

#### **3. EXECUTING AGENCY**

The parties agree that the execution of the Program and the utilization of the resources of the loan granted by the Bank shall be carried out by the Borrower, through its Ministry of Finance, which for the purposes of this Contract shall be referred to, without distinction, as either the “Borrower” or the “Executing Agency”.

## CHAPTER I

### The Loan

**SECTION 1.01. Amount and Approval Currency of the Loan.** In accordance with this Contract, the Bank agrees to lend to the Borrower, and the Borrower accepts, a loan of up to the amount of one hundred forty million Dollars (US\$140,000,000), hereinafter the “Loan”.

**SECTION 1.02. Disbursement requests and Disbursement currency.** (a) The Borrower may request disbursements of the Loan by submitting a disbursement request to the Bank pursuant to Article 4.03 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 1.03. Currency Availability.** If the Bank is unable to obtain access to the currency requested by the Borrower, the Bank may, in consultation with the Borrower, disburse the Loan in another currency of its choice.

**SECTION 1.04. Disbursement Period.** The Original Disbursement Period will be one (1) year from the effective date of this Contract. Any extension to the Original Disbursement Period shall be subject to the provisions of Article 3.02(f) of the General Conditions.

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

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

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

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

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

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

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

**SECTION 1.09. Conversion.** The Borrower may request Currency Conversions, Interest Rate Conversions and/or Commodity Conversions at any time during the term of this Contract, as set forth in Chapter V of the General Conditions.

(a) **Currency Conversion.** The Borrower may request that a disbursement or all or part of the Outstanding Loan Balance be converted to a Non-Borrowing Country Currency, or to a Local Currency, which the Bank can efficiently source, 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 that, with respect to all or part of the Outstanding Loan Balance, 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 II

### **Objective and Use of Funds**

**SECTION 2.01. Objective.** (a) The Loan aims to support the execution of a policy-based reform program consisting of promoting competitiveness and environmental resiliency of The Commonwealth of The Bahamas.

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

(c) The Bank will make the disbursements in one (1) Disbursement Tranche for an amount of up to one hundred forty million Dollars (US\$140.000.000). The Disbursement Tranche will be subject to the compliance by the Borrower of the conditions precedent set forth in this Contract.

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

- (a) Maintains a macroeconomic framework conducive to the achievement of the Program's objectives and in accordance with the Policy Letter referred to in Section 3.01 of these Special Conditions;
- (b) Fulfills the conditions established in these Special Conditions for the disbursement of the Disbursement Tranche;
- (c) Maintains open throughout execution of the Program the special bank account(s) referred to in Article 4.01(c) of the General Conditions, to which the Bank will disburse the resources of the Loan; and
- (d) Continues to fulfill the policy measures regarding the Disbursement Tranche already disbursed, as the case may be.

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

**Strengthening and Modernizing the Regulatory Framework for a more Competitive Business Climate**

- A. Strengthening the business climate for Micro, Small and Medium Enterprises (MSMEs)
  - (a) A program to support MSMEs, providing services to MSMEs in areas such as innovative business models, digital businesses, remote training tools, with a focus on female-led businesses and digital platforms, is in operation.
  - (b) The design of a strengthened monitoring system, and an Impact Evaluation Plan for the Small Business Development Center (SBDC) Business Continuity Program, has started.

- (c) A program for compliance with business licences and business registration including: (i) informal businesses receiving support for registering; and (ii) new MSMEs registered, is in operation.

**B. Modernizing the business climate for companies in The Bahamas**

- (a) The amendment of the: (i) Securities Industry Takeover Rules; and (ii) Securities Industries Governance rules, to further improve protection of minority stakeholders.
- (b) The process of obtaining a business licence has been streamlined through: (i) the enhancement of the digital platform for registering a business by the Department of Inland Revenue; (ii) the enactment of the provisional business licence for low-risk companies (Provisional Licence Order); and (iii) the amendment of the Business Licence Act.

**Modernizing the Institutional Framework for Better Environmental Resiliency**

**A. Strengthening the institutions in charge of the environment and natural resources**

- (a) The Ministry of the Environment is in operation, carrying out the functions assigned by the Ministry of the Environment Act.
- (b) The Department of Environmental Planning and Protection (DEPP) is in operation, including: (i) the appointment of the Director; (ii) a functional webpage; and (iii) the regulations from the Environmental Planning and Protection Act have been drafted and consulted.
- (c) The new structure of The Bahamas National Trust including guidelines for governance, penalties, and reporting have been submitted to the Office of the Attorney General.
- (d) The system for management of Marine Protected Areas (MPAs) has been improved by: (i) the publication of annual report on activities of the Board to the Ministry; and (ii) the signature of a partnership agreement to increase sources of funding for the Bahamas Protected Areas Fund (BPAF).
- (e) The approval by Cabinet of 43 new MPAs, having started consultations and four (4) having initiated their management plans.
- (f) The Monitoring and Evaluation System has been strengthened by starting the process of updating baseline data for the valuation of economic benefits for MPAs.

- B. Strengthening the regulatory framework to protect the environment and natural resources
  - (a) The prohibition on single use of plastics, and on the release of balloons, is in effect.
  - (b) The Environmental Impact Assessment Regulations have been approved.
  - (c) The Public Procurement Bill, that includes sustainable procurement practices to reduce adverse environmental impact, has been tabled in the House of Assembly.
- C. Promoting scientific development of marine resources to develop the Blue Economy
  - (a) The implementation of the six short-term priority areas of the Action Plan for Economic Diversification for the Blue Economy has started, with a gender perspective.
  - (b) The Biological Resources and Traditional Knowledge Protection Bill, which includes the implementation of the Access and Benefit Sharing (ABS) regime, has been approved in Parliament.
  - (c) The Policy on Proper Management of Marine Resources for Research and Innovation has been approved by the DEPP.
  - (d) The Inter-Departmental Blue Economy Coordination Group to coordinate national agencies with responsibilities for ocean affairs and marine resources is in operation, including having periodic meetings.
  - (e) The Fisheries Act has been enacted.

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

- (i) expenditures in goods included in the groups or sub-groups of the United Nations Standard International Trade Classification (SITC) list, as indicated in Section 2.08 of these Special Conditions;
- (ii) expenditures in goods acquired under contracts for an amount less than the equivalent of ten thousand dollars (US\$10,000);
- (iii) expenditures in goods financed in foreign exchange, under medium or long terms;
- (iv) expenditures in luxury goods;

- (v) expenditures in weapons;
- (vi) expenditures in goods for the use of the armed forces; and
- (vii) expenditures in goods from countries that are not members of the Bank.

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

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

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

### CHAPTER III

#### Execution of the Program

**SECTION 3.01.** **Policy Letter.** The Borrower and the Bank agree that the substantive contents of the Policy Letter dated April 22, 2021, from the Borrower to the Bank, that describes the objectives, policies and actions directed toward the achievement of the objectives of the

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



Program and in which the Borrower declares its commitment to the execution of the Program, are an integral part of the Program for the purposes established in Section 3.04 of these Special Conditions.

**SECTION 3.02. Periodic meetings.** (a) The Borrower, through the Executing Agency, and the Bank shall meet, at the request of either party and on the date and place agreed upon, to exchange views on: (i) the general progress achieved in the implementation of the Program, and the compliance with the obligations set forth in Section 2.02 and 2.03 of these Special Conditions; and (ii) the consistency of the Borrower's macroeconomic framework with the Program. Prior to any such meeting, the Borrower shall submit to the Bank, for its review and comments, a report in such detail as the Bank shall reasonably request on the fulfillment of the obligations referred to in subparagraphs (a)(i) and (ii) of this Section.

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

**SECTION 3.03. Ex-Post evaluation.** The Borrower agrees to cooperate, directly or through the Executing Agency, in the evaluation of the Program to be carried out by the Bank after the Program's execution, with the purpose of identifying to what extent objectives of the Program have been reached, and to provide to the Bank all the information, data and documentation that the Bank may request to carry out said evaluation.

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

## CHAPTER IV

### **Records, Inspections, and Reports**

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

**SECTION 4.02. Audits.** In accordance with Article 7.01 of the General Conditions of this Contract, the Borrower shall submit to the Bank, upon request of the Bank, and within ninety (90)

days following such request, an audited financial report of the use of the resources of the Loan. The report will be duly certified by a firm of public independent accountants acceptable to the Bank, and in accordance with terms of reference previously approved by the Bank.

## **CHAPTER V**

### **Miscellaneous Provisions**

**SECTION 5.01.**     **Entry into Effect.** This Contract shall enter into effect on the signature date by the Borrower.

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

**SECTION 5.03.**     **Validity.** The rights and obligations set forth in this Contract are valid and enforceable in accordance with its terms, regardless of the laws of any given country.

**SECTION 5.04.**     **Communications and Notices.** Any notice, request, or communication from one party to another by virtue of this Contract shall be made in writing and shall be considered to have been made when the relevant document is delivered to the addressee at the respective address given below, or by electronic means under such terms and conditions as the Bank establishes and communicates to the Borrower, unless the parties agree otherwise in writing:

For the Borrower:

Mailing address:

Ministry of Finance  
Sir Cecil Wallace – Whitfield Center  
West Bay Street  
P.O. Box N-3017  
Nassau, NP, The Bahamas

Facsimile: (242) 327-1618

For the Bank:

Mailing address:

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

Facsimile: (202) 623-3096

## CHAPTER VI

### Arbitration

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

IN WITNESS WHEREOF, the Borrower and the Bank, each acting through its authorized representative, have signed this Contract in Nassau, N.P., The Bahamas.

THE COMMONWEALTH  
OF THE BAHAMAS

INTER-AMERICAN DEVELOPMENT  
BANK



The Most Hon. Hubert Alexander Minnis  
Prime Minister and Minister of Finance



Daniela Carrera-Marquis  
Representative of the Bank  
in The Bahamas

Date: June 18<sup>th</sup>, 2021

Date: June 16,, 2021

## **PART TWO**

### **GENERAL CONDITIONS**

**January 2020**

#### **CHAPTER I**

##### **Application of the General Conditions**

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

#### **CHAPTER II**

##### **Definitions**

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

1.     “Amortization Schedule” means the original schedule set forth in the Special Conditions for the payment of amortization installments of the Loan or any modified schedule agreed to between the Parties pursuant to the provisions of Article 3.02 of these General Conditions.
2.     “Amortization Schedule Modification Request Letter” means an irrevocable communication from the Borrower to the Bank requesting a modification to the Amortization Schedule.
3.     “Amortization Schedule Modification Notification Letter” means a communication by means of which the Bank responds to an Amortization Schedule Modification Request Letter.
4.     “Approval Currency” means the currency in which the Bank approves the Loan, which may be Dollars or any Local Currency which the Bank can efficiently source, taking into account the Bank’s operational and risk management considerations.
5.     “Bank” means the Inter-American Development Bank.
6.     “Bank's Cost of Funding” means a cost margin calculated quarterly relative to a three (3)-month LIBOR Dollar Interest Rate, using the weighted average cost of funding instruments applicable to the Flexible Financing Facility, expressed in terms of an annual percentage, as determined by the Bank.

7. “Bank Group” means the Bank, the Inter-American Investment Corporation and the Multilateral Investment Fund.
8. “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 (3)-month LIBOR Dollar Interest Rate plus a margin reflecting the Bank’s estimated cost of funding in Dollars at the time of disbursement or Conversion; or (2) the Bank’s actual cost of funding used as a basis for the Conversion; (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.
9. “Board” means the Board of Executive Directors of the Bank.
10. “Borrower” shall have the meaning assigned to it in the Special Conditions.
11. “Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York or, in case of a Conversion, in the cities listed in the Conversion Request Letter or the Conversion Notification Letter, as the case may be.
12. “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.
13. “Cash Settlement Amount” has the meaning assigned to it in Articles 5.11(b), (c) and (d) of these General Conditions.
14. “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.
15. “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.

16. “Commodity Conversion Date” means the date of entry into a Commodity Conversion. This date shall be set forth in the Conversion Notification Letter.
17. “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.
18. “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.
19. “Commodity Option” shall have the meaning assigned to it in Article 5.11(a) of these General Conditions.
20. “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.
21. “Contract” means this loan contract.
22. “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.
23. “Conversion Date” means the Currency Conversion Date, the Interest Rate Conversion Date or the Commodity Conversion Date, as the case may be.
24. “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.
25. “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.
26. “Conversion Request Letter” means an irrevocable communication of the Borrower to the Bank requesting a Conversion, pursuant to Article 5.01 of these General Conditions.

27. “Converted Currency” means any Local Currency or Non-Borrowing Member Country Currency in which all or part of the Loan is denominated after a Currency Conversion has been effected.
28. “Currency Conversion” means with respect to a disbursement or to all or part of an Outstanding Loan Balance, a change in the currency of denomination to a Local Currency or a Non-Borrowing Member Country Currency which the Bank can efficiently source, taking into account the Bank’s operational and risk management considerations.
29. “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.
30. “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 between the Bank and the Borrower, or the Bank and the Guarantor, and its subsequent amendments. All attachments and other supplemental agreements to a Derivative Contract shall form an integral part of such Derivative Contract.
31. “Disbursement Tranche” means, for loans to support policy reforms, the amount or the portion of the resources of the Loan eligible for disbursement once the Borrower has complied with the relevant contractual conditions.
32. “Dollar” means the legal tender of the United States of America.
33. “Execution Period” means the period in Business Days during which the Bank may effect a Conversion as determined by the Borrower in the Conversion Request Letter. The Execution Period starts from the day on which the Conversion Request Letter is received by the Bank.
34. “Executing Agency/Agencies” means the entity/entities responsible for executing all or part of the Program.
35. “Final Amortization Date” means the latest date on which the Loan may be fully repaid, in accordance with the Special Conditions.
36. “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.

- 37. **“Full-Term Commodity Conversion”** means a Commodity Conversion whose Commodity Conversion Maturity Date coincides with the Final Amortization Date.
- 38. **“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.
- 39. **“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.
- 40. **“General Conditions”** means the entirety of articles which comprise the second part of this Contract and reflect the basic policies of the Bank uniformly applicable to its loan contracts.
- 41. **“Guarantor”** means the party which guarantees the fulfillment of the obligations contracted by the Borrower and which assumes other obligations for which it is liable under the Guarantee Contract.
- 42. **“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.
- 43. **“Interest Rate Cap”** means the establishment of an upper limit for a variable interest rate.
- 44. **“Interest Rate Collar”** means the establishment of an upper and a lower limit for a variable interest rate.
- 45. **“Interest Rate Conversion”** means: (i) a change of interest rate type with respect to all or part of the Outstanding Loan Balance; or (ii) the establishment of an Interest Rate Cap or an Interest Rate Collar with respect to all or part of the Outstanding Loan Balance; or (iii) any other hedging option that affects the interest rate applicable to all or part of the Outstanding Loan Balance.
- 46. **“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.
- 47. **“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.

48. "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.
49. "LIBOR Interest Rate" means "USD-LIBOR-ICE", which is the rate administered by 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 on the relevant pages 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 the day that is two (2) London Banking Days preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter to prime banks in the London interbank market for a period of three (3) months commencing on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter and in a Representative Amount. The Calculation Agent or Agents utilized by the Bank will request the principal London office of each of the Reference Banks to provide a quotation of 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 for each Quarter for the Interest Rate Determination Date, based on the interest rates received from the Calculation

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<sup>1</sup> Any capitalized terms used in paragraph 49 of Article 2.01 and not otherwise defined herein shall have the meaning assigned to it in the 2006 ISDA Definitions as published by the *International Swaps and Derivatives Association, Inc.*, as amended and supplemented from time to time, which are hereby incorporated by reference.

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.

- 50. “LIBOR-Based Interest Rate Loan” means any Loan granted by the Bank for disbursement, account registration and repayment in Dollars or which has been fully or partially converted into Dollars and that is subject to a LIBOR-Based Interest Rate, calculated pursuant to Article 3.03(a) of these General Conditions.
- 51. “Loan” shall have the meaning assigned to it in the Special Conditions.
- 52. “Local Currency” means a currency that is legal tender in any of the Bank’s borrowing members.
- 53. “Loan Tranche” means any of the tranches into which the Loan may be divided as a result of a Conversion or a modification of the Amortization Schedule.
- 54. “Non-Borrowing Member Country Currency” means a currency that is legal tender in any of the Bank’s non-borrowing member countries.
- 55. “Notional Quantity” means, with respect to a Commodity Conversion, the number of units of the underlying commodity.
- 56. “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.
- 57. “Original Disbursement Period” means the original period for disbursements of the Loan, which is set forth in the Special Conditions.
- 58. “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.
- 59. “Outstanding Loan Balance” means the amount that the Borrower owes the Bank for the portion of the Loan that has been disbursed.
- 60. “Partial-Term Commodity Conversion” means a Commodity Conversion whose Commodity Conversion Maturity Date occurs prior to the Final Amortization Date.
- 61. “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.

- 62. “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.
- 63. “Parties” means the Bank and the Borrower and each of them, indistinctively, a Party.
- 64. “Payment Valuation Date” means a date that is determined based on a number of Business Days prior to any amortization or interest payment, as specified in a Conversion Notification Letter.
- 65. “Program” means the policy reform program supported by this Loan.
- 66. “Prohibited Practices” means the act(s) defined in Article 6.03 of these General Conditions.
- 67. “Quarter” means each of the following three-month (3-month) periods of the calendar year: the period beginning on January 1st and ending on March 31st; the period beginning on April 1st and ending on June 30th; the period beginning on July 1st and ending on September 30th and the period beginning on October 1st and ending on December 31st.
- 68. “Required Outstanding Loan Balance” has the meaning assigned to it in Article 5.02(f) of these General Conditions.
- 69. “Settlement Currency” means the currency used to settle principal and interest payments. For fully deliverable currencies, the Settlement Currency is the Converted Currency. For non-deliverable currencies, the Settlement Currency is the Dollar.
- 70. “Special Conditions” means the entirety of the provisions which comprise the first part of this Contract and contain the particular terms of the operation.
- 71. “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.
- 72. “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).
- 73. “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.

74. “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.
75. “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 Loan Tranches and is defined as the division of (i) by (ii) below, where:

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

(A) the amount of each amortization payment;

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

*and*

(ii) the sum of amortization payments.

The applicable formula is the following:

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

where:

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

*m* is the total number of Loan Tranches.

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

*A<sub>ij</sub>* is the amortization amount referring to payment *i* of Loan Tranche *j*, calculated in Dollar equivalent at the exchange rate determined by

the Calculation Agent, for the date of modification of the Amortization Schedule.

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

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

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

### CHAPTER III

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

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

**ARTICLE 3.02. Modification of the Amortization Schedule.** (a) The Borrower, with the prior consent of the Guarantor, if any, may request the modification of the Amortization Schedule at any time from the entry into effect of the Contract up until sixty (60) days prior to the 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 amortization schedule, including the first and last amortization dates, the frequency of payments, and the percentage that these payments represent of the total Loan or Loan Tranche thereof for which the modification is requested.

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

- (i) the last amortization date and the cumulative WAL of all the Amortization Schedules exceed neither the Final Amortization Date nor the Original WAL;

- (ii) the Loan Tranche subject to a new Amortization Schedule shall not be less than the equivalent of three million Dollars (US\$3,000,000); and
- (iii) the Loan Tranche subject to the modification of the Amortization Schedule has not been subject to a prior modification, unless the new Amortization Schedule modification is the result of a Currency Conversion.

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

(e) The Loan may not have more than four Loan Tranches denominated in a Non-Borrowing Member Country 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 cumulative WAL continues to be equal to or less than the Original WAL, in those cases in which an extension to the Original Disbursement Period is granted (i) resulting in an extension of such period beyond a date that is sixty (60) days prior to the due date for the first amortization installment of the Loan or the Loan Tranche, as the case may be, and (ii) when disbursements occur during such extension period, the Amortization Schedule shall be modified. Such modification will consist of moving forward the Final Amortization Date or, if the Loan has different Loan Tranches, moving forward the final amortization date of the Loan Tranche or Loan Tranches from which funds are disbursed during the extension period of the Original Disbursement Period, unless the Borrower expressly requests, in lieu of the foregoing, an increase in the amount of the amortization installment following each disbursement of the Loan or the Loan Tranche, as the case may be, that results in a longer WAL than the Original WAL. With respect to this second option, the Bank will determine the corresponding amount for such amortization installment.

**ARTICLE 3.03. Interest.** (a) **Interest on Outstanding Loan Balances that have not been subject to Conversion.** To the extent that the Loan has not been subject to a Conversion, the Borrower shall pay interest on daily Outstanding Loan Balances at a LIBOR-Based Interest Rate 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: (a) the occurrence of such changes; and (b) the alternate base rate applicable to determine the appropriate amount to be paid by the Borrower. The Calculation Agent shall provide no less than sixty (60) days prior notice to the Borrower and the Guarantor, if any, of the applicable alternate base rate. 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, 4.06, 4.07 or 6.02 of these General Conditions.

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

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

one percent (1%) of the Loan amount divided by the number of semesters comprising the Original Disbursement Period.

**ARTICLE 3.07. Currency of payment for amortization, interest, credit fee and inspection and supervision expenses.** Interest and principal payments 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. Credit and inspection and supervision fees 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 the Outstanding Loan Balances in Dollars subject to a LIBOR-Based Interest Rate on any interest payment date, provided that it delivers to the Bank a written irrevocable request, with the consent of the Guarantor, if any, at least thirty (30) days in advance. Any such prepayment shall be applied as set forth in Article 3.09 of these General Conditions. In the event that the prepayment does not cover the entire Outstanding Loan Balance, the prepayment shall be applied proportionately to the remaining amortization installments. If the Loan has Loan Tranches with different Amortization Schedules, the Borrower shall prepay individual Tranches in their entirety, unless the Bank agrees otherwise.

(b) **Prepayments of amounts that have been subject to Conversion.** Provided that the Bank is able to unwind or reallocate its corresponding funding (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 request to the Bank at least thirty (30) days in advance. Said request shall specify the amount the Borrower intends to prepay and the Conversion to which such prepayment relates. In the event that the prepayment does not cover the full amount of the Outstanding Loan Balance 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 6.02 of these General Conditions.



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

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

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

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

**ARTICLE 3.12. Participations.** (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 promptly notify the Borrower of each such assignment.

(b) Participations may be granted 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.

## **CHAPTER IV**

### **Conditions Relating to Disbursements**

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

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

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

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

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

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

**ARTICLE 4.03. Requisites for All Disbursements.** For the Bank to make any disbursement, it shall be necessary that: (a) the Borrower or the Executing Agency, as the case may be, shall have submitted in writing, or by electronic means in such form and conditions as may be specified by the Bank, a disbursement request and, in support thereof, shall have supplied to the Bank such pertinent documents and other background materials as the Bank may have required; (b) the Borrower or the Executing Agency, as the case may be, maintains open the special bank account referred to in Article 4.01(c) of these General Conditions; (c) unless the Bank otherwise agrees, disbursement requests must be presented no later than thirty (30) days in advance of the date of expiration of the Original Disbursement Period or any extension thereof; (d) none of the circumstances described in Article 6.01 of these General Conditions shall have occurred; and (e) the Guarantor, if any, shall not be in non-compliance for more than one hundred twenty (120) days with any obligation to make payments to the Bank on any loan or Guarantee.

**ARTICLE 4.04. Disbursement Procedures.** The Bank may make disbursements against the Loan, as follows: (a) by transferring to the Borrower the sums to which it is entitled under this Contract to be deposited in the special bank account referred to in Articles 4.01(c) and 4.03(b) of these General Conditions; (b) by making payments on behalf of and in agreement with the Borrower to other bank entities; and (c) any other method agreed to in writing by the parties. Any banking expenses that may be charged by a third party in connection with disbursements shall be

borne by the Borrower. Unless the parties agree otherwise, disbursements shall be made each time only in amounts of not less than five percent (5%) of the total amount of the Loan.

**ARTICLE 4.05      Receipts.** At the request of the Bank, the Borrower shall sign and deliver to the Bank, upon the completion of disbursements, a receipt or receipts for the amounts disbursed.

**ARTICLE 4.06.      Renunciation of Part of the Loan.** The Borrower, with the concurrence of the Guarantor, if any, may renounce, by written notice to the Bank, its right to utilize any part of the Loan which has not been disbursed before the receipt of the notice.

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

## **CHAPTER V**

### **Conversions**

**ARTICLE 5.01.      Exercise of Conversion Options.** (a) The Borrower may request 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 form of Conversion Request Letter.

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

- (i) **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) Dollars at an amount equal to 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 Balance.

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

(e) 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 Loan Contract, it shall so notify the Borrower during the Execution Period. The Borrower may deliver a new Conversion Request Letter, in which case the Execution Period for this Conversion will start from the time the Bank receives the new Conversion Request Letter.

(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 inform the Borrower and agree on the actions to be taken regarding the Conversion Request Letter.

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

- (a) The feasibility of the Bank to execute any Conversion will 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 Loan Tranche is less.
- (c) The number of Currency Conversions to Non-Borrowing Member Country 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 – 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 \* (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 will be automatically converted to Dollars on the expiration of the respective Partial Term 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 loss 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 effected at any time until the Final Amortization Date. Notwithstanding the foregoing, if the Borrower makes a request within less than sixty (60) days prior to the expiration of the Original Disbursement Period, any such Interest Rate Conversion will be subject to the limitation that the Outstanding Loan Balance under the new Amortization Schedule requested for the Conversion shall at no time exceed the Outstanding Loan Balance under the original Amortization Schedule.

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

(d) In the case of a Partial Term Interest Rate Conversion on amounts denominated in Dollars, the interest rate applicable to the Outstanding Loan Balances upon the expiration of the Partial Term Interest Rate Conversion shall be the interest rate set forth in Article 3.03(a) of these General Conditions. 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 loss incurred by the Bank as a result of unwinding or reallocating its corresponding funding (or any related hedge) associated with 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 shall be determined by the Bank from time to time. Each Conversion Notification Letter shall indicate, if applicable, the transaction fee the Borrower shall be required to pay for the execution of the respective Conversion, which fee shall remain in effect throughout the Conversion Period of such Conversion.

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

(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 upfront in a lump sum amount, 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 all 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 from 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, equal 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; provided however that if operationally feasible for the Bank, the Bank may agree 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 shall 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) 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 execution 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 of execution of this Contract 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 Balances subject to the Currency Conversion to Dollars at the exchange rate applicable at that time, as determined by the Calculation Agent. Such Outstanding Loan Balances 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 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 Losses associated with the Redenomination into Dollars.** If the Borrower, with the consent of the Guarantor, if any, decides to redenominate the Outstanding Loan Balances 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 loss incurred by the Bank 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 to cover for the Bank the costs incurred as a result of such delay.

**ARTICLE 5.16. Costs, expenses or losses in case of Conversions.** If an action or omission by the Borrower, or the Guarantor, if any, including: (a) nonpayment of principal, interest and fees relating to a Conversion on the due dates; (b) revoking or changing the terms set forth in the Conversion Request Letter; (c) nonfulfillment of a partial or full prepayment of the Outstanding Loan Balances 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 Bank's 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**

### **Suspension of Disbursements and Accelerated Maturity**

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

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

the Bank for the financing of the Project or in any Derivative Contract signed with the Bank.

- (c) Withdrawal or suspension from membership in the Bank of the country in which the Program is to be executed.
- (d) The Program or the purposes of the Loan may be affected by any restriction, of the legal capacity or modification or alteration of the functions or assets of the Borrower or the Executing Agency. In such cases, the Bank will have the right to require the Borrower for purposes of weighing whether the change or changes, have or may have, a negative impact on the execution of the Program to provide reasoned and detailed information. Only after hearing the Borrower and weighing the information or clarification received, or if the Borrower fails to respond, prior to the date of the following disbursement, may the Bank suspend disbursements if it considers that the modifications made affect the Program materially and unfavorably or render its execution impossible.
- (e) The non-compliance on the part of the Guarantor, if any, of any obligation set forth in the Guarantee Contract or in any Derivatives Contract signed with the Bank.
- (f) When the Borrower is not a member country, any extraordinary circumstance which, in the opinion of the Bank, makes it unlikely that the Borrower will be able to comply with the obligations established in this Contract or to fulfill the purposes for which it was entered into.
- (g) If it is determined by the Bank, that an employee, agent, or representative of the Borrower or the Executing Agency, has engaged in a Prohibited Practice in connection with the Program.

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

- (a) Any of the circumstances set forth in paragraphs (a), (b), (c) and (e) of the preceding Article continues for more than sixty (60) days;
- (b) If it is determined by the Bank that the Borrower, Executing Agency or an employee, agent or representative of these, has committed a Prohibited Practice in connection with the Program, provided that the Borrower or the Executing 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; or

- (c) The information referred to in paragraph (d) of the preceding Article, or the clarifications or additional information presented by the Borrower or the Executing Agency, if any, are not satisfactory to the Bank.

**ARTICLE 6.03. Prohibited Practices.** (a) For the purposes of this Contract, “Prohibited Practice” shall be understood as the practice 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.

(b) If, under the provisions of Articles 6.01(g) and 6.02(b) of these General Conditions if the Bank determines that the Borrower, Executing Agency or an employee, agent or representative of these, has engaged in a Prohibited Practice in connection with the execution of the Program, the Bank may take the following actions, including:

- (i) Issue a reprimand against the firm, entity or individual determined to be responsible for the Prohibited Practice in the form of a formal letter of censure for its behavior.
- (ii) Declare any firm, entity or individual determined to be responsible for 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.
- (iii) Refer the matter to appropriate law enforcement authorities.
- (iv) Impose fines representing reimbursement to the Bank for costs associated with investigations and proceedings.

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

(d) The Borrower, Executing Agency or an employee, agent or representative of these, 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 debarment, conditions on future contracting or any publicly-disclosed action taken in response to a violation of an international financial institution’s applicable framework for addressing allegations of Prohibited Practices.

**ARTICLE 6.04. Non-waiver of Rights.** Any delay by the Bank in the exercise of its rights pursuant to this Contract, or failure to exercise them, shall not be construed as a waiver by the Bank of any such rights nor as acquiescence in events or circumstances which, had they occurred, would have empowered it to exercise them.

**ARTICLE 6.05.      Provisions not Affected.** The application of any of the measures provided for by this Chapter shall not affect the obligations of the Borrower established in this Contract, which shall remain in full force and effect, except that in case the entire Loan has been declared due and payable, only the pecuniary obligations of the Borrower shall continue in force.

## **CHAPTER VII**

### **Records, Inspections and Reports**

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

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

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

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

(d) The personnel that the Bank shall send or designate as investigators, agents, auditors or experts for this purpose shall receive the complete cooperation of the respective authorities. All the costs relating to transportation, salaries, and other expenses of such personnel shall be borne by the Bank.

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



## CHAPTER VIII

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

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

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

## CHAPTER IX

### **Arbitration Procedure**

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

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

**ARTICLE 9.02. Initiation of the Procedure.** In order to submit the controversy to arbitration, the claimant shall address to the other party a written communication setting forth the nature of the claim, the satisfaction or compensation which it seeks, and the name of the arbitrator it appoints. The party receiving such communication shall, within forty-five (45) days, notify the adverse party of the name of the person it appoints as arbitrator. If, within thirty (30) days after

delivery of such notification to the claimant, the parties have not agreed upon the person who is to act as Referee, either party may request the Secretary General of the Organization of American States to make the appointment.

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

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

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

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

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

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