

LOAN CONTRACT No. 4426/OC-BL

between

BELIZE

and the

INTER-AMERICAN DEVELOPMENT BANK

Climate Vulnerability Reduction Program

May 7, 2018

LOAN CONTRACT

SPECIAL CONDITIONS

This loan contract, hereinafter the “Contract,” is entered into between BELIZE, hereinafter referred to as the “Borrower,” and the INTER-AMERICAN DEVELOPMENT BANK, hereinafter referred to as the “Bank” and together with the Borrower, as the “Parties,” on May 7, 2018.

CHAPTER I

Purpose and Constituent Elements of the Contract

SECTION 1.01. Purpose of the Contract. The purpose of this Contract is to establish the terms and conditions under which the Bank grants a loan to the Borrower to contribute to the financing and execution of the Climate Vulnerability Reduction Program, the main aspects of which are set forth in the Annex.

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

CHAPTER II

The Loan

SECTION 2.01. 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 ten million Dollars (US\$10,000,000), hereinafter the “Loan.”

SECTION 2.02. Disbursement Requests, Disbursement Currency, and Limitations on Disbursements. (a) The Borrower may request Loan disbursements from the Bank pursuant to Chapter IV 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.

(c) Notwithstanding the provisions of this Contract related to disbursements, the disbursement by the Bank of the resources of the Loan will be subject to the following maximum limits: (i) up to fifteen percent (15%) of the total amount of the Loan during the first twelve (12) months following December 6, 2017; (ii) up to thirty percent (30%) of the total amount of the Loan during the first twenty-four (24) months from the date set forth in numeral (i) above; and (iii) up to fifty percent (50%) of the total amount of the Loan during the first thirty-six (36) months from the date set forth in numeral (i) above.

(d) The limitations set forth in paragraph (c) above may be rendered ineffective to the extent that the requirements set forth in the Bank's policy regarding said limitations have been fulfilled, provided that the same has been notified in writing to the Borrower.

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

SECTION 2.04. Disbursement Period. The Original Disbursement Period will be four (4) years from the effective date of this Contract. Any extension of the Original Disbursement Period shall be subject to the provisions of Article 3.02(g) of the General Conditions.

SECTION 2.05. Amortization Schedule. (a) The Final Amortization Date shall be twenty-five (25) years from the date of signature of this Contract. The Original WAL of the Loan is 15.25 years.

(b) The Loan shall be repaid by the Borrower in semiannual, consecutive, and insofar as possible, equal installments. The first installment shall be due from the Borrower on the expiration date of the sixty-six (66) month period following the effective date 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 an interest payment date, the payment of the first amortization installment shall be made on the interest payment date immediately preceding the expiration date of such period. If the Final Amortization Date does not fall on an interest payment date, the payment of the last amortization installment shall be made on the interest payment date immediately preceding the Final Amortization Date.

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

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

(b) Interest shall be payable by the Borrower to the Bank semiannually on the fifteenth (15th) day of the months of April and October of each year. The first of these payments shall be made on the first of these dates occurring after the effective date of the Contract, pursuant to Article 3.01 of the General Conditions.

SECTION 2.07. Credit Fee. The Borrower shall pay a credit fee on the dates set forth in Section 2.06(b) for the payment of interest, pursuant to Articles 3.01, 3.04, 3.05, and 3.07 of the General Conditions.

SECTION 2.08. 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 pursuant to Article 3.06 of the General Conditions.

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

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

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

CHAPTER III **Disbursements and Utilization of the Resources of the Loan**

SECTION 3.01. Special Conditions Precedent to First Disbursement. (a) In addition to the conditions precedent stipulated in Article 4.01 of the General Conditions, the first disbursement of the Loan shall be subject to the fulfillment, to the satisfaction of the Bank, of the following requirements:

- (i) the establishment of the Program Management Unit (PMU) including the appointment of the program coordinator, the project manager, the fiduciary (financial and procurement) specialists and the administrative assistant; and
- (ii) the approval of the Program Operations Manual (POM) (including the Environmental and Social Management Report - ESMR).

SECTION 3.02. Utilization of the Resources of the Loan. (a) The resources of the Loan may only be used to pay expenses that: (i) are necessary for the Project and are in accordance with its objectives; (ii) are carried out in accordance with the provisions of this Contract and Bank policies; (iii) are adequately recorded and documented in the Borrower's or Executing Agency's system; and (iv) are incurred after December 6, 2017 and before the expiration of the Original Disbursement Period or any extensions thereof; such expenses are hereinafter referred to as "Eligible Expenditures."

SECTION 3.03. Applicable Exchange Rate for Expenditures Incurred in Local Currency of the Borrower's Country. For purposes of Article 4.10 of the General Conditions, the Parties agree that the applicable exchange rate shall be that indicated in paragraph (b)(ii) of said Article. Accordingly, the agreed exchange rate shall be the exchange rate as published in the Central Bank of Belize on the effective date on which the Borrower, the Executing Agency, or

any other person or legal entity in whom the power to incur expenditures has been vested makes the related payments to the contractor, the supplier, or beneficiary.

CHAPTER IV **Execution of the Project**

SECTION 4.01. Executing Agency. The Borrower, acting through its Ministry of Works “MOW”, shall be the Executing Agency of the Program.

SECTION 4.02. Procurement of Goods, Works, and Non-Consulting Services. (a) For purposes of Article 2.01(59) of the General Conditions, the Parties agree that the Procurement Policies are those dated March 2011, which are contained in document GN-2349-9, approved by the Bank on April 19, 2011. If the Procurement Policies are amended by the Bank, the procurement of goods, works, and non-consulting services shall be carried out in accordance with the provisions of the modified Procurement Policies, once they are made known to the Borrower and the Borrower agrees in writing to their application.

(b) For the procurement of works, goods, and non-consulting services, any of the methods described in the Procurement Policies may be used, provided that such method has been identified for the respective procurement in the Procurement Plan approved by the Bank. The country system or subsystems described in Article 6.04(b) of the General Conditions may also be used.

(c) The threshold for determining the use of international competitive bidding will be made available to the Borrower or the Executing Agency, as the case may be, at www.iadb.org/procurement. Below that threshold, the selection method shall be determined according to the complexity and characteristics of the procurement, which should be reflected in the Procurement Plan approved by the Bank.

(d) Regarding the use of the national competitive bidding method, the respective national competitive bidding procedures may be used provided that, in the opinion of the Bank, these procedures ensure economy, efficiency, transparency, and general consistency with the provisions of Section I of the Procurement Policies, taking into account the provisions of paragraph 3.4 of the Procurement Policy, among others.

SECTION 4.03. Selection and Contracting of Consulting Services. (a) For purposes of Article 2.01(15) of the General Conditions, the Parties agree that the Consultant Policies are those dated March 2011, which are contained in document GN-2350-9, approved by the Bank on April 19, 2011. If the Consultant Policies are amended by the Bank, the selection and contracting of consulting services shall be carried out in accordance with the provisions of the modified Consultant Policies, once they are made known to the Borrower and the Borrower agrees in writing to their application.

(b) For the selection and contracting of consulting services, any of the methods described in the Consultant Policies may be used, provided that such method for the respective

procurement has been identified in the Procurement Plan approved by the Bank. The country systems described in Article 6.04(b) of the General Conditions may also be used.

(c) The threshold for determining the shortlist of international consultants will be made available to the Borrower or the Executing Agency, as the case may be, at www.iadb.org/procurement. Below that threshold, the shortlist may be composed entirely of national consultants of the Borrower's country.

SECTION 4.04. Procurement Plan Update. In order to update the Procurement Plan in accordance with the provisions of Article 6.04(c) of the General Conditions, the Borrower or the Executing Agency, as the case may be, shall use the procurement plan execution and monitoring system determined by the Bank.

SECTION 4.05. Other Documents Governing Project Execution. The Parties agree the Project execution shall be governed by the provisions of this Contract and those established in the ESMR, POM, and ESMP. If any provision of this Contract should present any inconsistency or contradiction with the ESMR, POM, and ESMP, the relevant provision of this Contract shall prevail. Moreover, the Parties agree it shall be necessary to obtain the Bank's written consent prior to making any change to the ESMR, POM and ESMP.

SECTION 4.06. Environmental and Social Management. For purposes of Articles 6.06 and 7.02 of the General Conditions, the Parties agree that Program execution shall be governed by the provision in the ESMR specially Annex B and the following provisions, which have been identified as necessary for compliance with the environmental and social obligations for the Program, which consists of the following components: (a) siting and design criteria; (b) on-site destination Environmental and Social Management Plan (ESMP); (c) supervision and enforcement plan; (d) a waste management plan; (e) monitoring of sustainability indicators; and (f) public participation plan. The ESMP will be incorporated into the Program Operating Manual.

SECTION 4.07. Maintenance. The Borrower undertakes to: (a) ensure that the works and equipment included in the Program shall be adequately maintained according to generally accepted technical standards; and (b) present to the Bank a report on the status of said works and equipment and an annual maintenance plan for that year during the five (5) years following the completion of the first of the works of the Program and within the first quarter of each calendar year. If from the inspections conducted by the Bank or from the reports it receives, it is determined that maintenance does not meet the level agreed upon, the Borrower and the Executing Agency shall undertake the necessary measures to correct these shortcomings.

SECTION 4.08. Other Execution-related Special Obligations. The Borrower shall fulfill the following requirements, to the satisfaction of the Bank:

- (a) Prior to signing of contracts for the construction/rehabilitation of works:
 - (i) agreements/MOUs between the Borrower, Executing Agency and the participating entities to specify the responsibilities for management of the site under their jurisdiction once the transferring of the works is completed, including

responsibilities for operation and maintenance with sustainable financial mechanism in place ; (ii) evidence of legal possession of the property where the construction of the respective work is to take place, easements or other rights required for its construction and use; (iii) apply the agreed content of the Livelihood Restoration Plan; and (iv) permits and any other documentation and action needed as referred to in the Environmental and Social Management Report (ESMR);

- (b) Prior to issuing the first call for public tendering, the Borrower shall present evidence that it has hired an environmental and social consultant responsible for managing the environmental and social aspects of the proposed infrastructure projects. Then, prior to construction, the Borrower shall present evidence that it has hired environmental and social specialists in the PMU; and
- (c) The Borrower shall not, without the prior written consent of the Bank, engage in any of the following activities with respect to the Project as resettlement activities, affectation of critical habitats, disposing of contaminated sediments with methods and at facilities/location not in line with the Bank's requirements.

CHAPTER V

Supervision and Evaluation of the Project

SECTION 5.01. Supervision of Project Execution. For purposes of Article 7.02 of the General Conditions, the documents that, as of the date of signature of this Contract, have been identified as necessary to supervise progress in the execution of the Project are:

- (a) Annual Operations Plans (AOP), presented sixty (60) days prior to the beginning of each calendar year. The AOP, including the updated PEP, will be supported by the Program Procurement Plan (PP) for the acquisition of goods and services; and a financial plan, based on estimated procurement costs and other program activities to be undertaken. The AOP for the following calendar year shall include: (i) a forecast of disbursements; (ii) an updated PP; (iii) detail achievements in relation to planned activities, outputs and outcomes, among others; (iv) an environmental and social compliance report; (v) budget analysis, disbursement and financial plan; and (vi) output indicators and costs.
- (b) Semi-Annual Progress Reports (PR), presented within sixty (60) days after the end of January and June of each year during the Original Disbursement Period or any extension thereof. The semi-annual PR will include execution of the budget by category and source of funding and focus on fulfillment of output indicators and progress towards achieving outcomes in the Results Framework of the Program, analyze problems encountered and propose corrective measures as described in the Program's monitoring and evaluation plan.

- (c) Final Report, presented within sixty (60) days of the last disbursement date, summarizing all Progress Reports prepared.

SECTION 5.02. Supervision of the Financial Management of the Project. (a) For purposes of Article 7.03 of the General Conditions, as of the date of signature of this Contract, the following financial reports and other reports have been identified as necessary to supervise the financial management of the Project:

- (i) Semi-annual financial reports, presented to the Bank as part of the semi-annual progress report described in Section 5.01 of this Special Conditions;
- (ii) Annual financial statements of the Program, audited by a firm of independent public accountants acceptable to the Bank; and
- (iii) Final financial statements of the Program, audited by the firm of independent public accountants acceptable to the Bank.

(b) For purposes of Article 7.03(a) of the General Conditions, the fiscal year of the Program is the period between April 1 and March 31 of each year.

SECTION 5.03. Evaluation of Results. In order to determine the degree of compliance with the Project's objective and its results, the Borrower or the Executing Agency, as the case may be, shall provide the Bank with the following information:

- (a) A midterm independent evaluation report no later than thirty (30) months after the date of signature of this Contract; and
- (b) A final independent evaluation report, within ninety (90) days after the date on which ninety per cent (90%) of the loan proceeds have been disbursed or after the Bank's official request. The final evaluation report shall include the results of the Program's impact evaluation.

CHAPTER VI **Miscellaneous Provisions**

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

SECTION 6.02. Communications and Notices. (a) Any notice, request, communication, or report from one Party to another by virtue of this Contract related to the execution of the Program, with the exception of the notices indicated in paragraph (b) hereof, shall be made in writing and shall be considered to have been made when the relevant document is delivered to the addressee at the respective address given below, or by electronic means under such terms and conditions as the Bank establishes and communicates to the Borrower, unless the Parties agree otherwise.

For the Borrower:

Mailing address:

Financial Secretary
Ministry of Finance
Sir Edney Cain Building
Belmopan, Belize

Facsimile: (501) 822-2886

For the Executing Agency:

Mailing address:

Chief Executive Officer
Ministry of Works
1 Power Lane
Belmopan City, Belize

Facsimile: (501) 822-3282

For the Bank:

Mailing address:

Inter-American Development Bank
Country Office Belize
1024 Newtown Barracks
Marina Towers Building
Belize City, Belize

Facsimile: (501) 221-5312

Email address: IDBBelize@iadb.org

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

For the Borrower:

Mailing address:

Financial Secretary
Ministry of Finance
Sir Edney Cain Building
Government of Belize
Belmopan, Belize

Facsimile: (501) 822-2886

For the Bank:

Mailing address:

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

Facsimile: (202) 623-3096

SECTION 6.03. Commitment to Arbitrate. For the resolution of any conflict arising out of or connected with this Contract and which is not resolved by agreement between the Parties, they unconditionally and irrevocably submit themselves to the procedure and ruling of the Arbitration Tribunal referred to in Chapter XII of the General Conditions.

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

BELIZE

INTER-AMERICAN DEVELOPMENT
BANK

/s/

/s/

The Right Honourable Dean O. Barrow
Prime Minister and Minister of
Finance and Natural Resources
Governor of Belize to the
Inter-American Development Bank

Cassandra T. Rogers
Representative in Belize

**LOAN CONTRACT
GENERAL CONDITIONS**

**CHAPTER I
Application and Interpretation**

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

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

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

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

**CHAPTER II
Definitions**

ARTICLE 2.01. Definitions. Whenever the following terms are capitalized in this Contract or in the Guarantee Contract(s), if any, they shall have the meaning set forth below. Any reference to the singular includes the plural and vice versa. Any capitalized term used in paragraph 47 of this Article 2.01 and not otherwise defined herein shall have the meaning assigned to it in the 2006 ISDA Definitions, in accordance with the publication of the *International Swaps and Derivatives Association, Inc.*, as amended and supplemented, which is hereby incorporated into this Contract by reference.

1. “Additional Resources” means resources that are additional to those financed by the Bank, which are necessary for the complete and uninterrupted execution of the Project.

2. “Advance of Funds” means the amount of resources advanced by the Bank to the Borrower, chargeable to the Loan, to cover eligible expenditures of the Project, as provided in Article 4.07 of these General Conditions.
3. “Amortization Schedule” means the original schedule set forth in the Special Conditions for the payment of amortization installments of the Loan or any modified schedule agreed to between the Parties pursuant to the provisions of Article 3.02 of these General Conditions.
4. “Amortization Schedule Modification Notification Letter” means a communication by means of which the Bank responds to an Amortization Schedule Modification Request Letter.
5. “Amortization Schedule Modification Request Letter” means the irrevocable communication from the Borrower to the Bank requesting a modification to the Amortization Schedule.
6. “Approval Currency” means the currency in which the Bank approves the Loan, which may be Dollars or any Local Currency.
7. “Bank” shall have the meaning assigned to it in the Special Conditions.
8. “Bank’s Cost of Funding” means a cost margin calculated quarterly relative to a three-month (3-month) LIBOR Interest Rate in Dollars, using the weighted average cost of funding instruments applicable to the Flexible Financing Facility, expressed in terms of an annual percentage, as determined by the Bank.
9. “Base Interest Rate” means the rate determined by the Bank at the time of a Conversion execution, 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: (1) the three-month (3-month) LIBOR Interest Rate in Dollars plus a margin reflecting the Bank’s estimated cost of funding in Dollars at the time of disbursement or Conversion; (2) the Bank’s actual cost of funding used as a basis for the Conversion; or (3) with respect to Outstanding Loan Balances that have been subject to a previous Conversion, the interest rate in effect for such Outstanding Loan Balances.
10. “Board” means the Board of Executive Directors of the Bank.
11. “Borrower” shall have the meaning assigned to it in the recitals of the Special Conditions.
12. “Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in

foreign exchange and foreign currency deposits) in New York City or, in the case of a Conversion, in the cities listed in the Conversion Notification Letter.

13. “Calculation Agent” means the Bank, except for the use of such term in the definition of LIBOR Interest Rate, in which case it will have the meaning assigned to it in the 2006 ISDA Definitions, in accordance with the publication of the *International Swaps and Derivatives Association, Inc.*, as amended and supplemented. Any determination made by the Calculation Agent shall be final, conclusive, and binding on the Parties (except in the case of manifest error), and, if made by the Bank as Calculation Agent, shall be duly documented and made in good faith and in a commercially reasonable manner.
14. “Closing Period” means a period of up to ninety (90) days from the expiration date of the Original Disbursement Period, or any extension thereof.
15. “Consultant Policies” mean the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank in force at the time of the approval of the Loan by the Bank.
16. “Contract” means this loan contract.
17. “Contracting Agency” means the entity with legal capacity to enter into contracts, and which, in agreement with the Borrower or the Executing Agency, as the case may be, assumes all or part of the responsibility for the procurement of goods or works, consulting services or non-consulting services for the Project.
18. “Contracting Entity” means the entity with legal capacity to enter into a contract for the procurement of goods, works, consulting services, and non-consulting services with a contractor, supplier, consulting firm, or individual consultant, as the case may be.
19. “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; or (ii) an Interest Rate Conversion.
20. “Conversion Date” means the Currency Conversion Date or the Interest Rate Conversion Date, as the case may be.
21. “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.
22. “Conversion Period” means, with respect to any Conversion, the period between the Conversion Date and the last day of the interest period in which the Conversion

ends, pursuant to its terms. Notwithstanding the foregoing, for purposes of the last payment of principal and interest, the Conversion Period shall end on the day on which interest corresponding to such interest period is paid.

23. "Conversion Request Letter" means the irrevocable communication of the Borrower to the Bank requesting a Conversion, pursuant to Article 5.01 of these General Conditions.
24. "Converted Currency" means any Local Currency or Principal Currency in which all or part of the Loan is denominated after a Currency Conversion has been effected.
25. "Currency Conversion" means, with respect to a disbursement or with respect to all or part of an Outstanding Loan Balance, a change in the currency of denomination to a Local Currency or a Principal Currency.
26. "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.
27. "Derivative Contract" means any contract entered into between the Bank and the Borrower or the Bank and the Guarantor to document and/or confirm one or more derivative transactions agreed to between the Bank and the Borrower, or the Bank and the Guarantor, including any subsequent amendments thereto. All attachments and other supplemental agreements to a Derivative Contract shall form an integral part thereof.
28. "Dollar" means the legal tender of the United States of America.
29. "Eligible Expenditure" shall have the meaning assigned to it in the Special Conditions.
30. "Executing Agency" means the entity with legal capacity responsible for executing the Project and for using the proceeds of the Loan. Whenever there is more than one Executing Agency, these will be co-executing agencies and shall be referred to indistinctly as "Executing Agencies" or "Co-executing Agencies."
31. "Execution Period" means the period in Business Days during which the Bank may effect a Conversion as determined by the Borrower in the Conversion Request Letter. The Execution Period starts on the day the Bank receives the Conversion Request Letter.
32. "Final Amortization Date" means the last date of amortization of the Loan, in accordance with the Special Conditions.

33. “Financial Plan” means a tool for planning and monitoring the cash flows of the Project, which is used in coordination with other project planning tools, including the Procurement Plan.
34. “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.
35. “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.
36. “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.
37. “General Conditions” mean the entirety of articles which comprise the second part of this Contract.
38. “Guarantee Contract,” means the contract, if any, that guarantees the fulfillment of all or part of the obligations contracted by the Borrower under this Contract and under which the Guarantor assumes other obligations for which it is liable.
39. “Guarantor” means the member country of the Bank or subnational entity thereof, as the case may be, that enters into the Guarantee Contract with the Bank.
40. “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.
41. “Interest Rate Cap” means the establishment of an upper limit for a variable interest rate.
42. “Interest Rate Collar” means the establishment of an upper and a lower limit for a variable interest rate.
43. “Interest Rate Conversion” means: (i) a change of interest rate type with respect to all or part of the Outstanding Loan Balance; (ii) the establishment of an Interest Rate Cap or an Interest Rate Collar with respect to all or part of the Outstanding Loan Balance; or (iii) any other hedging option that affects the interest rate applicable to all or part of the Outstanding Loan Balance.

44. “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.
45. “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.
46. “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.
47. “LIBOR Interest Rate” means the “USD-LIBOR-ICE,” which is the rate administered by the ICE Benchmark Administration (or any other entity which takes over the administration of that rate) for deposits in Dollars for a period of three (3) months that appears on the relevant page of the pages Bloomberg Financial Markets Service or Reuters Service, or, if unavailable, on the relevant page of any other service selected by the Bank that displays such rate, as of 11:00 a.m., London time, on the day that is two (2) London Banking Days preceding the Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter. If such LIBOR Interest Rate does not appear on the relevant page, the LIBOR Interest Rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be determined as if the Parties had specified “USD-LIBOR-Reference Banks” as the applicable LIBOR Interest Rate. For these purposes, “USD-LIBOR-Reference Banks” means that the LIBOR Interest Rate for an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be determined on the basis of the rates at which deposits in Dollars are offered by the Reference Banks at approximately 11:00 a.m., London time, on a day that is two (2) London Banking Days preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter to prime banks on the London interbank market for a period of three (3) months, commencing on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter and in a Representative Amount. The Calculation Agent or Agents utilized by the Bank will request the principal London office of each of the Reference Banks to provide a quotation of the LIBOR Interest Rate. If at least two (2) quotations are provided, the LIBOR Interest Rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be the arithmetic mean of the quotations. If fewer than two (2) quotations are provided as requested, the LIBOR Interest Rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be the arithmetic mean of the rates quoted by the major banks in New York City, selected by the Calculation Agent or Agents utilized by the Bank, at approximately 11:00 a.m., New York City

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

48. "Loan" shall have the meaning assigned to it in the Special Conditions.
49. "Local Currency" means any currency other than the Dollar that is legal tender in the countries of Latin America and the Caribbean.
50. "Original Disbursement Period" means the original period for disbursements of the Loan, which is set forth in the Special Conditions.
51. "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.
52. "Outstanding Loan Balance" means the amount that the Borrower owes the Bank for the portion of the Loan that has been disbursed.
53. "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.
54. "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.
55. "Parties" shall have the meaning assigned to it in the introduction to the Special Conditions.
56. "Payment Valuation Date" means a date that is determined based on a number of Business Days prior to any amortization or interest payment date, as specified in a Conversion Notification Letter.
57. "Principal Currency" means any currency other than the Dollar or Local Currency that is legal tender in the member countries of the Bank.

58. “Procurement Plan” means a tool for programming and monitoring the procurement related to the Project, in the terms described in the Special Conditions, Procurement Policies, and Consultant Policies.
59. “Procurement Policies” mean the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank in force at the time of the approval of the Loan by the Bank.
60. “Prohibited Practices” mean the practices prohibited by the Bank in connection with the activities it finances, as defined by the Board or that are defined in the future and communicated to the Borrower, including coercive practice, collusive practice, corrupt practice, fraudulent practice, and obstructive practice.
61. “Project” or “Program” means the project or program identified in the Special Conditions comprising a set of activities with a development objective that are financed by proceeds of the Loan.
62. “Quarter” means each of the following three-month (3-month) periods of the calendar year: the period beginning on January 1 and ending on March 31; the period beginning on April 1 and ending on June 30; the period beginning on July 1 and ending on September 30; and the period beginning on October 1 and ending on December 31.
63. “Semester” means the first or second six (6) months of a calendar year.
64. “Settlement Currency” means the currency used to settle the Loan’s principal and interest payments. For fully deliverable currencies, the Settlement Currency shall be the Converted Currency. For non-deliverable currencies, the Settlement Currency shall be the Dollar.
65. “Special Conditions” mean the entirety of provisions which comprise the first part of this Contract.
66. “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.
67. “WAL” means the weighted average life, whether the Original WAL or the weighted average life resulting from a modification of the Amortization Schedule, as a result of a Conversion or otherwise. The WAL is calculated in years (to two decimal places), based on the Amortization Schedule of all tranches of the Loan and is defined as the division of (i) by (ii) below, where:

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

(A) the amount of each amortization payment;

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

and

(ii) the sum of amortization payments.

The applicable formula is the following:

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

where:

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

m is the total number of tranches of the Loan.

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

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

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

ED is the date of signature of this Contract.

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

CHAPTER III

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) **Changes to the Interest Rate Calculation Basis.** The Parties agree that, notwithstanding any change in market practice that may, at any moment, affect the determination of the LIBOR Interest Rate, the Borrower's payments shall remain linked to the Bank's funding. For purposes of obtaining and maintaining such link under such circumstances, the Parties expressly agree that the Calculation Agent, seeking to reflect the Bank's corresponding funding, shall determine: (i) the occurrence of such changes; and (ii) the alternate base rate applicable to determine the appropriate amount to be paid by the Borrower. The Calculation Agent shall notify the Borrower and the Guarantor of the applicable alternate base rate, if any, with no less than sixty (60) days prior notice. The alternate base rate shall become effective on the expiration of such notice period.

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

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

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

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

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

ARTICLE 3.07. Currency of Payment for Amortization, Interest, Credit Fee, and Inspection and Supervision Expenses. Interest and principal payments shall be made in Dollars, unless a Currency Conversion has been effected, in which case the provisions of Article 5.05 of

these General Conditions shall apply. The credit fee and the inspection and supervision fee shall always be paid in the Approval Currency.

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

(b) **Prepayments of Amounts that have been Subject to Conversion.** Provided that the Bank is able to unwind or reallocate its corresponding funding, 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; and/or (ii) all or part of the amount that has been subject to an Interest Rate Conversion. For this purpose, the Borrower shall deliver an irrevocable written notice to the Bank at least thirty (30) days in advance. Said notice shall specify the amount the Borrower intends to prepay and the Conversions to which such prepayment relates. In the event that the prepayment does not cover the full amount of the Outstanding Loan Balance under such Conversion, the prepayment shall be applied proportionately to the remaining amortization installments of such Conversion. The Borrower may not prepay converted amounts in an amount less than the equivalent of three million Dollars (US\$3,000,000), unless the remaining Outstanding Loan Balance of the respective Conversion is less than such amount and is paid in full.

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

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

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

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

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

CHAPTER IV

Disbursements, Renunciation, and Automatic Cancellation

ARTICLE 4.01. Conditions Precedent to First Disbursement of Resources of the Loan. Without prejudice to the other requirements set forth in the Special Conditions, the first disbursement of the resources of the Loan shall be subject to the fulfillment of the following requirements to the satisfaction of the Bank:

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

ARTICLE 4.02. Period for Fulfilling the Conditions Precedent to First Disbursement. If within one hundred eighty (180) days from the effective date of this Contract, or within such longer

period as the Parties may agree in writing, the conditions precedent to the first disbursement established in Article 4.01 of these General Conditions and other conditions precedent to the first disbursement agreed upon in the Special Conditions have not been fulfilled, the Bank may terminate this Contract in advance by giving notice to the Borrower.

ARTICLE 4.03. Conditions for All Disbursements. (a) As a condition for all disbursements and without prejudice to the conditions precedent to the first disbursement of the resources of the Loan established in Article 4.01 of these General Conditions and in the Special Conditions, if any, the Borrower or the Executing Agency, as the case may be, undertakes to present to the Bank in writing, whether physically or by electronic means, in such form and conditions as may be specified by the Bank, a disbursement request together with the pertinent documents and other background materials required by the Bank. Unless the Bank agrees otherwise, the last disbursement request shall be presented to the Bank no later than thirty (30) days in advance of the expiration date of the Original Disbursement Period or any extension thereof.

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

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

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

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

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

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

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

ARTICLE 4.07. Advance of Funds. (a) The Borrower or the Executing Agency, as the case may be, may request disbursements under the Advance of Funds method. The amount of the

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

(b) Each Advance of Funds shall be subject to: (i) the request for Advance of Funds being presented in a manner acceptable to the Bank; and (ii) with the exception of the first Advance of Funds, the Borrower or the Executing Agency, as the case may be, having presented a justification for the use of at least eighty percent (80%) of the total cumulative balances pending justification for this purpose, and the Bank having accepted such justification, unless the Financial Plan specifies a lower percentage, which in no case may be less than fifty percent (50%).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CHAPTER V **Conversions**

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

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

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

disbursement, the request shall indicate the amount of the disbursement in units of the Approval Currency, in Dollar units, or in units of the desired currency for the Conversion, except in the case of the last disbursement, in which case the request shall be made in units of the Approval Currency. In such cases, if the Bank effects the Conversion, the disbursements shall be denominated in the Converted Currency and the disbursements shall be made in: (i) the Converted Currency; or (ii) an equivalent amount in Dollars at the exchange rate set forth in the Conversion Notification Letter, to be determined by the Bank when sourcing its financing. If the Conversion Request Letter relates to Outstanding Loan Balances, the request shall indicate the amount in units of the currency of denomination of the Outstanding Loan Balances.

- (iii) **For Interest Rate Conversions.** (A) type of interest rate requested; (B) the portion of the Outstanding Loan Balance to which the Interest Rate Conversion shall apply; (C) whether the Interest Rate Conversion is a Partial-term Interest Rate Conversion or a Full-term Interest Rate Conversion; (D) the Amortization Schedule associated with the Interest Rate Conversion, which may have an amortization period equal to or less than the Final Amortization Date; (E) for Interest Rate Conversions establishing an Interest Rate Cap or an Interest Rate Collar, the applicable upper and/or lower limits, as the case may be; and (F) any other instructions regarding the Interest Rate Conversion request.

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

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

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

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

(g) If a national or international catastrophe, a financial or economic crisis, a change in the capital markets, or any other extraordinary circumstance occurs during the Execution Period

that, in the opinion of the Bank, may have a material negative impact on its ability to effect a Conversion, the Bank shall so notify the Borrower and agree on the actions to be taken regarding the Conversion Request Letter.

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

(a) The feasibility of the Bank to execute any Conversion will depend on the ability of the Bank to source its funding, in accordance with its policies, and will be subject to legal, operational, and risk management considerations and prevailing market conditions.

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

(c) The number of Currency Conversions to Principal Currencies may not exceed four (4) during the term of this Contract. This limit shall not apply to Currency Conversions to Local Currency.

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

(e) 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.

(f) 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.

(g) Unless the Bank agrees otherwise, an Interest Rate Conversion with respect to amounts that have been subject to a previous Currency Conversion may only be effected: (i) on the entire Outstanding Loan Balance associated with such Currency Conversion; and (ii) for a term equal to the remaining term of such Currency Conversion.

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

(b) A Full-Term Currency Conversion and a Partial-Term Currency Conversion may be requested and executed at any time until the Final Amortization Date. Notwithstanding the foregoing, if the Borrower makes a request within less than sixty (60) days prior to the expiration of the Original Disbursement Period, such Currency Conversion will have the limitation that the Outstanding Loan Balance under the new Amortization Schedule requested for the Conversion

shall at no time exceed the Outstanding Loan Balance under the original Amortization Schedule, taking into account the exchange rates set forth in the Conversion Notification Letter.

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

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

(i) Effecting a new Currency Conversion, upon delivery of a new Conversion Request Letter not less than fifteen (15) Business Days prior to the expiration date of the Partial-Term Currency Conversion. Such new Currency Conversion will have the additional limitation that the Outstanding Loan Balance under the new Amortization Schedule shall at no time exceed the Outstanding Loan Balance under the Amortization Schedule requested in the original Partial-Term Currency Conversion. If, subject to market conditions, it is feasible to effect a new Conversion, the Outstanding Loan Balance of the amount originally converted will continue to be denominated in the Converted Currency, applying the new Base Interest Rate that reflects prevailing market conditions at the time of effecting the new Conversion.

(ii) The prepayment of the Outstanding Loan Balance of the converted amount, by providing the Bank written notice at least thirty (30) days prior to the expiration date of the Partial-Term Currency Conversion. This prepayment shall be made on the expiration date of the Partial-Term Currency Conversion in the Settlement Currency pursuant to Article 5.05 of these General Conditions.

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

(f) If the Outstanding Loan Balance originally subject to a Currency Conversion is converted to Dollars as provided in paragraph (e) above, the Bank, at the expiration of the Partial-Term Currency Conversion, shall inform the Borrower, and the Guarantor, if any, of the amounts converted to Dollars and the applicable exchange rate determined by the Calculation Agent, based on prevailing market conditions.

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

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

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

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

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

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

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

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

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

ARTICLE 5.06. Transaction Fees Applicable to Conversions. (a) The transaction fees applicable to Conversions undertaken under this Contract shall be those determined by the Bank periodically. Each Conversion Notification Letter shall indicate, if applicable, the transaction fee the Borrower shall be required to pay to the Bank for the execution of the respective Conversion, which fee shall remain in effect throughout the Conversion Period of such Conversion.

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

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

(d) Notwithstanding the transaction fees provided for in paragraphs (b) and (c) above, in the case of Currency Conversions or Interest Rate Conversions involving an Interest Rate Cap or an Interest Rate Collar, a transaction fee associated with such Interest Rate Cap or Interest Collar shall apply. Such transaction fee: (i) shall be denominated in the same currency as the Outstanding Loan Balance subject to the Interest Rate Cap or Interest Rate Collar; and (ii) shall be paid in a lump sum, in the Settlement Currency, on the first interest payment date, as set forth in Article 5.05 of these General Conditions.

(e) In respect of early termination of a Conversion, the Borrower shall receive from the Bank, or alternatively, shall pay to the Bank, as applicable, any gain or cost incurred by the Bank as a result of unwinding the corresponding Conversion, 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 next interest payment date.

ARTICLE 5.07. Funding Expenses and Premiums or Discounts Associated with a Conversion. (a) In the event that the Bank uses its actual cost of funding to determine the Base Interest Rate, the Borrower shall pay the fees and expenses incurred by the Bank in sourcing its funding. In addition, any premiums or discounts related to the Bank's funding shall be paid by or

credited to the Borrower, as the case may be. These expenses and premiums or discounts will be specified in the Conversion Notification Letter.

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

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

ARTICLE 5.08. Premiums Payable in Connection with Interest Rate Caps or Interest Rate Collars. (a) In addition to the transaction fees payable pursuant to Article 5.06 of these General Conditions, the Borrower shall pay the Bank a premium on the Outstanding Loan Balance subject to the Interest Rate Cap or Interest Rate Collar requested by the Borrower, equivalent to the premium paid by the Bank to a counterparty, if any, as a result of the purchase of the Interest Rate Cap or Interest Rate Collar. Such premium shall be paid: (i) in the currency of denomination of the Outstanding Loan Balance subject to the Interest Rate Cap or Interest Rate Collar, or its equivalent in Dollars, at the exchange rate set forth in the Conversion Notification Letter, which shall be the exchange rate determined at the time the Bank sourced the funding; and (ii) in a lump sum amount, on a date agreed by the Parties, but in no event later than thirty (30) days after the Conversion Date; unless, if operationally feasible for the Bank, the Bank agrees to a different payment mechanism.

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

ARTICLE 5.09. 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 5.10. Cancellation and Reversal of the Currency Conversion. If, after the signature date of this Contract, a change in a law, decree, or other applicable rule or regulation is enacted or issued, or if there is a change in the interpretation of a law, decree, or other applicable rule or regulation in force at the time this Contract is signed that, as reasonably determined by the Bank, prevents the Bank from continuing to maintain, in whole or in part, its funding in the Converted Currency, for the remainder of the period and under the same terms as the corresponding Currency Conversion, the Borrower, upon being notified by the Bank, shall have the option to redenominate the Outstanding Loan Balance subject to the Currency Conversion to Dollars at the exchange rate applicable at that time, as determined by the Calculation Agent. Such Outstanding Loan Balance shall remain subject to the Amortization Schedule agreed for such Currency Conversion and the Interest Rate set forth in Article 3.03(a) of these General Conditions. Alternatively, the Borrower may prepay to the Bank all amounts that it owes in the Converted Currency, pursuant to the provisions of Article 3.08 of these General Conditions.

ARTICLE 5.11. Gains or Costs Associated with the Redenomination into Dollars. If the Borrower, with the consent of the Guarantor, if any, decides to redenominate the Outstanding Loan Balance subject to a Currency Conversion into Dollars pursuant to Article 5.10 above, within thirty (30) days after the redenomination date, the Borrower shall receive from the Bank, or alternatively, shall pay to the Bank, as applicable, the amounts corresponding to any gain or cost as determined by the Calculation Agent, up until the Dollar redenomination date, in connection with variations in the interest rates. In case of a gain, the amount will be credited first to any amounts due and payable by the Borrower to the Bank.

ARTICLE 5.12. 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 5.08 in a currency other than the Dollar, the Bank may charge interest at a floating rate in the Converted Currency determined by the Calculation Agent, plus a spread of 100 basis points (1%) over the total amount in arrears, irrespective of the applicability of additional charges to ensure a full transfer of costs in the event such spread is not sufficient for the Bank to recover the costs incurred as a result of such delay.

ARTICLE 5.13. Additional Costs in Case of Conversions. If an action or omission by the Borrower, or the Guarantor, if any, including: (a) nonpayment of principal, interest, and fees relating to a Conversion on the due dates; (b) revoking or changing the terms set forth in a Conversion Request Letter; (c) nonfulfillment of a partial or full prepayment of the Outstanding Loan Balance in the Converted Currency, if such prepayment had been previously requested by the Borrower in writing; (d) a change in laws or regulations that have an impact on the maintenance of all or part of the Loan on the agreed Conversion terms; or (e) other actions not described above, results in the Bank incurring additional costs to those described in this Contract, the Borrower shall pay the Bank such amounts, as determined by the Calculation Agent, to ensure a full transfer of the costs incurred by the Bank.

CHAPTER VI
Execution of the Project

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

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

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

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

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

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

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

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

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

(b) When the Bank has validated a system or subsystem of the member country of the Bank where the Project will be executed, the Borrower or the Executing Agency, as the case may be, may carry out the procurement and contracting financed wholly or partially with resources of the Loan using such system or subsystem, in accordance with the terms of the validation of the Bank and applicable validated legislation and processes. The terms of such validation shall be notified in writing by the Bank to the Borrower and the Executing Agency. Use of the country system or subsystem may be suspended by the Bank when, in its opinion, changes have occurred in the parameters or practices the Bank used as the basis for its validation, until such time as the Bank determines whether such changes are compatible with international best practices. During such suspension, the Procurement Policies and Consultant Policies of the Bank will apply. The Borrower, directly or through the Executing Agency, as the case may be, undertakes to notify the Bank of any change in the applicable legislation or processes that have been so validated. The use of country systems or subsystems does not constitute a waiver of the application of the provisions set forth in Section I of the Procurement Policies and Consultant Policies, including the requirement that the respective procurement and contracting of services be contained in the Procurement Plan and is subject to the remaining provisions of this Contract. The provisions of Section I of the Procurement Policies and Consultant Policies shall apply to all contracts,

regardless of amount or contracting method. The Borrower agrees to include, or to cause the Executing Agency, as the case may be, to include in the model bidding documents, contracts, and instruments used in electronic or information systems (in physical or electronic media) measures to ensure the application of the provisions set forth in Section I of the Procurement Policies and Consultant Policies, including the provisions on Prohibited Practices.

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

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

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

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

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

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

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

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

CHAPTER VII
Supervision and Evaluation of the Project

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CHAPTER VIII

Suspension of Disbursements, Accelerated Maturity, and Partial Cancellations

ARTICLE 8.01. Suspension of Disbursements. The Bank, by written notice to the Borrower, may suspend disbursements if any of the following circumstances occurs and so long as it continues:

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

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

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

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

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

ARTICLE 8.03. Provisions Not Affected. The application of the measures provided in this Chapter shall not affect the obligations of the Borrower established in this Contract, which shall remain in full force and effect, except that in case the entire Loan has been declared due and payable, only the pecuniary obligations of the Borrower shall continue in force.

ARTICLE 8.04. Disbursements Not Affected. Notwithstanding the provisions of Articles 8.01 and 8.02 above, none of the measures set forth in this Chapter shall affect the disbursement by the Bank of any amounts of the resources of the Loan: (a) subject to the guarantee

of an irrevocable letter of credit; (b) which, by specific written agreement with the Borrower, the Executing Agency, or the Contracting Agency, as the case may be, the Bank has agreed to provide to pay Eligible Expenditures directly to the respective supplier; and (c) payable to Bank, pursuant to the Borrower's instructions.

CHAPTER IX **Prohibited Practices**

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

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

(b) The provisions of Article 8.01(g) and Article 9.01(a)(i) shall also apply in cases in which the Contracting Agency or any firm, entity, or individual bidding for or participating in a

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

(c) The imposition of any action to be taken by the Bank pursuant to the provisions referred to above will be made public, except in cases of private reprimand.

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

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

CHAPTER X

Provision on Encumbrances and Exemptions

ARTICLE 10.01. Commitment on Encumbrances. The Borrower shall not create any specific encumbrance on all or part of its assets or revenues to secure an external debt without, at the same time, creating an encumbrance guaranteeing to the Bank, equally and proportionally, the

fulfillment of the pecuniary obligations arising from this Contract. The foregoing shall not apply: (a) to encumbrances on goods used as security for payment of the unpaid balance of the purchase price; and (b) to encumbrances created in banking operations to secure payment of debts with maturities of not more than one year. In the event that the Borrower is a member country, the term “assets or revenues” shall mean all types of assets or revenues which belong to the Borrower or any of its dependent agencies which are not autonomous entities with their own separate capital.

ARTICLE 10.02. Tax exemption. The Borrower undertakes to ensure that principal, interest, fees, premiums, and any other Loan charge, as well as any other payment for expenses or costs that may be imputed to this Contract, shall be paid without any deduction or restriction whatsoever, exempt from any tax, fee, duty, or charge established or that may be established by the laws of its country, and to pay any tax, fee, or duty applicable to the signing, recording, and execution of this Contract.

CHAPTER XI **Miscellaneous Provisions**

ARTICLE 11.01. Assignment of Rights. (a) The Bank may assign to other public or private institutions, in the form of participations, the rights corresponding to the Borrower’s pecuniary obligations under this Contract. The Bank shall immediately notify the Borrower of each assignment.

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

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

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

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

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

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

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

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

CHAPTER XII **Arbitration Procedure**

ARTICLE 12.01. Composition of the Tribunal. (a) The arbitration tribunal shall be composed of three members to be appointed in the following manner: one by the Bank; another by the Borrower; and a third, hereinafter the “President,” by direct agreement between the Parties or through their respective arbitrators. In all decisions, the President of the tribunal shall have the right to cast a double vote in the case of deadlock. If the Parties or the arbitrators fail to agree on who the President shall be, or if one of the Parties is unable to designate an arbitrator, the President shall be appointed, at the request of either Party, by the Secretary General of the Organization of American States. If either of the Parties fails to appoint an arbitrator, one shall be appointed by the President. If either of the appointed arbitrators or the President is unwilling or unable to act or to continue to act, his or her successor shall be appointed in the same manner as for the original appointment. The successor shall have the same functions as his or her predecessor.

(b) In any conflict, both the Borrower and the Guarantor shall be considered a single party and, consequently, shall act jointly in the designation of the arbitrator and for the other purposes of the arbitration proceedings.

ARTICLE 12.02. Initiation of the Procedure. In order to submit the conflict to arbitration, the claimant shall address to the other party a written notification setting forth the nature of the claim, the satisfaction or compensation it seeks, and the name of the arbitrator it appoints. The party receiving such notification shall, within forty-five (45) days, notify the adverse party of the name of the person it appoints as arbitrator. If, within seventy-five (75) days as of the notification of the initiation of the arbitral proceeding, the Parties have not agreed upon the person who is to act as President, either party may request the Secretary General of the Organization of American States to make the appointment.

ARTICLE 12.03. Convening of the Tribunal. The arbitration tribunal shall be convened in Washington, District of Columbia, United States of America, on the date designated by the President, and, once convened, shall meet on the dates which the tribunal itself shall establish.

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

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

(c) The award shall be in writing and shall be adopted with the concurrent vote of at least two (2) members of the tribunal. It shall be handed down within approximately sixty (60) days from the date on which the President is appointed, unless the tribunal determines that, due to special and unforeseen circumstances, such period should be extended. The award shall be notified to the Parties by means of a notification signed by at least two (2) members of the tribunal, and shall be complied with within thirty (30) days from the date of notification. The award shall be final and will not be subject to any appeal.

ARTICLE 12.05. Costs. The fees of each arbitrator and the costs of arbitration (with the exception of attorneys' fees and the fees of other experts, which shall be covered by the Parties that appointed them) shall be covered by both Parties in equal proportion. Any doubt regarding the division of costs or the manner in which they are to be paid shall be determined, without appeal, by the tribunal.

ARTICLE 12.06. Notification. All notifications relative to the arbitration or to the award shall be made in the manner provided in this Contract. The parties waive any other form of notification.

ANNEX

THE PROJECT

Climate Vulnerability Reduction Program

I. Objective

- 1.01** The Project's objective is to reduce Belize's climate vulnerability and risk through the implementation of climate resilient measures in the tourism sector and by improving the governance of Belize's Disaster Risk Management. The Project will be organized in two components.

II. Description

- 2.01** To achieve the objective indicated in paragraph 1.01 above, the Project is comprised of the following components:

Component 1. Climate risk reduction in the tourism sector (US\$8.53 million).

- 2.02** This component will include: (i) implementation of climate resilient flood control measures that consider climate change scenarios to protect public and private infrastructure in tourism and residential areas of downtown Belize City; and (ii) shoreline stabilization measures on public land in public tourism areas in Caye Caulker and Goff's Caye.
- 2.03** In Belize City, this component will finance studies, works and the procurement of goods and services for flood reduction investments in Orange Street, an area that concentrates comparatively higher climate risk. The proposed risk reduction system's backbone is a pumping station that is designed to drain the rainfall accumulated in each rainfall spell within the project area towards the sea. It will connect the low areas through a network of canals, mainly the Collet Canal and East Canal. The pumping facility, located on the coastline at the southern outlet of Collet Canal, includes low maintenance helicoidal (screw) pumps to raise the water to the sea. For the system to be effective, it will include three gates to isolate it from the surrounding water (Haulover Creek, West Canal and the sea, up to a certain level) so that no water enters from the outside. Additionally, a bridge will be built in Belama phase IV, to improve the safety of a canal upgraded by the Flood Mitigation Infrastructure Program in Belize City.
- 2.04** In Caye Caulker, the component will finance works and the procurement of goods and services for shoreline stabilization works at Palapa Gardens Beach. The investments include: (i) the installation of a mangrove groin on the northern end of the beach; and (ii) planting of trees and other suitable vegetation at strategically placed locations. The mangrove groin is designed to function as a sand trap, reducing the effects of erosion on the Beach and encouraging beach

accretion. The maintenance of a wider beach is expected in turn to boost tourism investments and activities. Moreover, the mangrove groin will protect infrastructure and settlements along and down-drift from the approximately 50 meters of beach frontage. Finally, the strategic planting of trees and other vegetation will prevent beach erosion and enhance the aesthetics of the beach, thus enhancing tourism activities.

- 2.05** In Goff's Caye, the component will finance works and the procurement of goods and services to reduce the impacts of intense tourism activities on the surrounding coral reef and sea grasses which provide coastal protection ecosystem services when in healthy condition. These interventions include: (i) implementation of management and monitoring plans for reef and coastal ecosystems to inform sustainable management decision making; (ii) upgrading of Goff's Caye's public installations, including relocation of the Palapa, upgrading of the bathrooms to reduce their impacts on coral degradation and coastal erosion, installation of solar panels to replace the diesel power generation system, revegetation to enhance coastal protection and to provide shading, and proper signage to engender coral reef public practices that have lower impacts on; and (iii) installation of three mooring fields for day vessels and a new pier, to avoid damage to coral reefs and sea grasses currently caused by indiscriminate mooring.

Component 2. Governance for disaster risk management and CC adaptation (US\$0.62 million).

- 2.06** This component will finance studies and the procurement of services for: (i) consultancy to develop and disseminate a web based platform that could be input to a National Climate Risk Information System to share existing climate risk information, including an estimation of cost of maintenance in the first two years and training modules in the use of the web-based platform. This will also take into account other similar national initiatives such as the National Spatial Data Infrastructure housed at the Ministry of Natural Resources; (ii) a consultancy to support the Central Building Authority through the provision of technical guide that will provide recommendations for building in coastal areas, including innovative nature-based solutions; and (iii) a consultancy to design a climate risk financing strategy for the tourism and agriculture sectors.

III. Financing Plan

- 3.01** The distribution of the resources of the Loan is set forth in the following table:

Cost and Financing
(in US\$)

INVESTMENT CATEGORIES	BANK	%
Component 1: Climate risk reduction in the tourism sector	8,539,461	85.3%
Climate resilient flood control measures in Belize City	6,960,720	69.6%
Investments in Caye Caulker and Goff's Caye	961,400	9.6%
Environmental measures	200,000	2.0%

INVESTMENT CATEGORIES	BANK	%
Coastal monitoring for Goff's Caye (erosion and coral reef)	303,691	3.0%
Management plans for Palapa beach (Caye Caulker) and Goff's Caye	113,650	1.1%
Component 2: Governance for Disaster Risk Management and CC adaptation	618,241	6.2%
Risk information system	478,241	4.8%
Designing of building codes	70,000	0.7%
Climate risk financing strategy for the tourism and agriculture sectors	70,000	0.7%
Project Management	842,298	8.5%
Technical Unit	627,298	6.3%
Annual Evaluations and Audits	215,000	2.2%
TOTAL	10,000,000	100%

IV. Execution

- 4.01** The Ministry of Works (MOW) will be the Executing Agency (EA) for the loan. The EA will establish a Program Management Unit (PMU) exclusively dedicated to Bank projects. The unit will be staffed by a program coordinator, a project manager specific to each of the Bank projects, a coastal engineer, and by specialists from each one of these areas: (i) financial management; (ii) procurement; (iii) monitoring and evaluation; (iv) social; and (v) environmental. The PMU will also be staffed with an administrative assistant and an accounts clerk, that will support this program and other Bank operations. In order to ensure an effective start of the Project, the establishment of the PMU and the appointment of the program coordinator, the project manager, the fiduciary (financial and procurement) specialists and the administrative assistant will be a special contractual condition prior to the first disbursement of the financing.
- 4.02** The administrative and technical staff of the PMU will report to the respective project manager, who will report to the program coordinator. The program coordinator will report to the CEO of MOW as well as to a Project Steering Committee. The remuneration of the coastal engineer will be financed by the Project for the period of loan execution; the Government of Belize will institutionalize the coastal engineer position thereafter. The cost of the other technical and administrative staff of the PMU, including the Program coordinator, will be shared by the respective projects.
- 4.03** A Project Steering Committee (PSC) will be created to facilitate the coordination between the different agencies involved. This PSC will consist of key implementing agencies and stakeholders and will be chaired by the Ministry of Economic Development and Petroleum, Investment, Trade and Commerce (MEDPITC). The PSC will be responsible for the monitoring and oversight and strategic advice to the program. The PSC will be integrated by the MOW, Ministry of Labour, Local Government and Rural Development, Ministry of Finance and Natural Resources, Ministry of Tourism and Civil Aviation (MTCA), Coastal Zone Management Authority and Institute (CZMAI), the ministry responsible for the National

Emergency Management Organization (NEMO), and the Ministry of Agriculture, Fisheries, Forestry, the Environment, Sustainable Development and Immigration.

- 4.04** The Program Operations Manual (POM) which establishes standards and procedures for the EA with regard to programming activities, procurement audits, and monitoring and evaluation, among others will govern program execution. The POM will include the definition of the role of the PSC and the coordination mechanism between the different ministries and entities involved in the implementation of the Project. Approval of the POM (including the [Environmental and Social Management Report](#) “ESMR”) shall be a special contractual condition prior to the first disbursement of the financing, in order to ensure a proper interinstitutional coordination.
- 4.05** The Belize City Council, Caye Caulker Village Council and CZMAI will undertake the management of the projects financed under Component 1 when completed, including responsibility for operation and maintenance. In order to ensure the maintenance of the works, the legal possession of the properties and the compliance with national environmental regulations, the following are conditions prior to the signing of contracts for the construction/rehabilitation of works: (i) agreements/MOUs between the Borrower, Executing Agency and the participating entities to specify the responsibilities for management of the site under their jurisdiction once the transferring of the works is completed, including responsibilities for operation and maintenance with sustainable financial mechanism in place; (ii) evidence of legal possession of the property where the construction of the respective work is to take place, easements or other rights required for its construction and use; and (iii) permits and any other documentation needed as referred in the ESMR.