

NON-REIMBURSABLE FINANCING AGREEMENT

No. ATN/CF-13316-BA

between the

THE GOVERNMENT OF BARBADOS

and the

INTER-AMERICAN DEVELOPMENT BANK
Acting as Administrator of the European Commission Specific Contribution

Support for the Public Sector Smart Energy (PSSE) Program

November 15, 2013

SPECIAL CONDITIONS

INTRODUCTION

Parties, Purpose, Constituent Elements, and Executing Agency

1. PARTIES AND PURPOSE OF THE AGREEMENT

AGREEMENT entered into on November 15, 2013, between the GOVERNMENT OF BARBADOS (hereinafter referred to as the “Beneficiary”) and the INTER-AMERICAN DEVELOPMENT BANK (hereinafter referred to as the “Bank”) to cooperate in the partial financing and execution of a public sector smart energy (PSSE) program (hereinafter referred to as the “Program”). The major aspects of the Program are described in detail in the Annex. The Program is co-financed with resources from loan 2748/OC-BA.

This Agreement is entered into pursuant to Specific Contribution Agreement signed between the Bank and the European Commission on November 14, 2013 and the provisions set forth in Document GN-2605 “Proposal for the Establishment of a Framework Agreement between the European Commission and the Inter-American Development Bank” approved by the Bank’s Board of Executive on March 9th, 2011.

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

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

(b) Rules for the application of disbursement clauses, as well as other conditions related to Program execution, are established in detail in the General Conditions. The General Conditions also include general definitions.

3. EXECUTING AGENCY

The parties agree that the execution of the Program and the utilization of the resources of the financing from the Bank shall be carried out by the Beneficiary, through the Energy and Telecommunications Division (ETD) of the Prime Minister’s Office, which, for the purposes of this Agreement, shall be referred to as the “Executing Agency”. The Beneficiary undertakes to guarantee that the Executing Agency will carry out the activities of the Program in accordance with the provisions set forth in this Agreement.

CHAPTER I

Costs, Financing and Additional Resources

SECTION 1.01 **Cost of Program.** The total cost of the Program is estimated to be the equivalent of twenty-four million six hundred sixty-four thousand Dollars (US\$24,664,000). This cost includes, in addition to the resources mentioned in Section 1.02 herein below, seventeen million Dollars (US\$17,000,000.00) from the resources of the Ordinary Capital of the Bank from loan 2748/OC-BA.

SECTION 1.02 **Amount of the Non-reimbursable Financing for the Program.** In accordance with this Agreement, the Bank agrees to grant to the Beneficiary, and the Beneficiary accepts, a non-reimbursable financing, hereinafter refer to as the “Financing,” chargeable to the resources of the European Commission Specific Contribution Agreement, referred to in paragraph 2 of Section I “Parties and Purpose of the Agreement” hereinabove, of up to the amount of five million eight hundred and ten thousand Euros (€5,810,000) which is equivalent to seven million six hundred and sixty-four thousand Dollars of the United States of America (US\$7,664,000). The Beneficiary agrees to use the resources for the execution of the Program in this accordance with this Agreement. The amounts disbursed chargeable to this Financing will constitute the Contribution.

SECTION 1.03 **Administration commission.** An administration commission equivalent to five per cent (5%) of the Contribution will be deducted from this amount to cover Bank’s expenses as Administrator of the European Commission Specific Contribution.

CHAPTER II

Disbursements

SECTION 2.01 **Disbursement currency, availability of resources, and use of funds.**
(a) The Financing amount will be disbursed in Dollars to the extent that the European Commission makes them available to the Bank in the corresponding European Commission/Bank account, in accordance with the Specific Contribution Agreement signed with the Bank.

(b) The resources from the Financing can only be used to pay for goods and related services, works, and consultancy services in accordance with the provisions set forth in this Agreement.

SECTION 2.02 **Special Conditions Prior to the First Disbursement.** (a) The first disbursement of the Financing shall be subject to the fulfillment, to the satisfaction of the Bank, of the conditions set forth in Article 3.01 of the General Conditions and the following requirement: the Executing Agency shall have selected the Project Manager, the Project Accountant, and the Procurement Specialist, in accordance with terms of reference previously approved by the Bank.

(b) In addition to the conditions established in Section 2.02(a) hereinabove, the first disbursement of the Loan for activities financed under Component 1(i), as described in paragraph 2.02 of the Annex, shall be subject to the fulfillment, to the satisfaction of the Bank, of the following requirement: the Executing Agency shall have contracted the services of Barbados Light and Power (BL&P) in accordance with terms of reference previously approved by the Bank.

SECTION 2.03 Reimbursement of Expenditures Chargeable to the Financing. With the consent of the Bank, resources of the Financing may be used to reimburse expenditures incurred or to finance those that may be incurred in the Program on or after June 25, 2012 and up to the date of this Agreement, provided that requirements substantially similar to those set forth in this Agreement have been fulfilled.

SECTION 2.04 Disbursement Period. The period for disbursement of the resources of the Financing shall expire five (5) years from the effective date of this Agreement.

CHAPTER III

Execution of the Program

SECTION 3.01 Procurement of Goods, related services and Works. Goods, related services and works shall be procured in accordance with the provisions set forth in Document GN-2349-9 (“Policies for the procurement of goods and works financed by the IDB”), dated March 2011 (hereinafter called “the Procurement Policies”) of which the Beneficiary confirms its knowledge and with the following provisions of this Section:

(a) International Competitive Bidding: Except as otherwise provided in subsection (b) of this Section, goods, related services and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Procurement Policies. The provisions of paragraphs 2.55 and 2.56, and of Appendix 2 of said Policies, regarding the domestic margin of preference when comparing bids, shall apply to goods manufactured in the country of the Beneficiary.

(b) Other Procurement Procedures: The following procurement methods may be used for the procurement of goods, related services and works that the Bank agrees meet the requirements established in the provisions of Section III of the Procurement Policies:

- (i) National Competitive Bidding: For works with an estimated cost of less than the equivalent of three million Dollars (US\$3,000,000) equivalent per contract, and for goods and related services estimated to cost less than one hundred and fifty thousand Dollars (US\$150,000) equivalent per contract, in accordance with the provisions of paragraphs 3.3 and 3.4 of the Procurement Policies, as long as using said method is not contrary to the basic protections that must be met in bidding procedures, nor contrary to the Procurement Policies.

- (ii) Shopping: For works estimated to cost less than the equivalent of one hundred and fifty thousand Dollars (US\$150,000) per contract, and for goods and related services estimated to cost less than fifty thousand Dollars (US\$50,000) per contract, pursuant to the provisions set forth in paragraph 3.5 of the Procurement Policies.
 - (iii) Sole Source: The Executing Agency may use this method, as established in Section III of the Policies for the procurement of goods and works financed by the IDB to contract the services of BL&P for procurement and installation of Energy Efficient street lights as mentioned in paragraph 4.03 of the Annex.
 - (iv) Other Methods of Procurement: May also be used in accordance with the provisions set forth in Section III of the Procurement Policies.
- (c) Additional Procurement Requirements. The Beneficiary, through the Executing Agency, shall carry out the procurement of goods, related services and works in accordance with the general plans, specifications, budgets and other documents required for the acquisition.
- (d) Review by the Bank of Procurement Decisions:
- (i) Procurement Planning: (A) *Prior to the procurement plan supervision and execution system being available in Barbados*: prior to the issuance of any invitations to prequalify or to bid for contracts, as the case may be, the Beneficiary shall present the proposed procurement plan for the Program to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Procurement Policies. This plan shall be updated annually or as needed during Program execution and each updated version shall be submitted to the Bank for its review and approval. Procurement of all goods shall be undertaken in accordance with the procurement plan that has been approved by the Bank, and with the provisions of said paragraph 1.
 - (B) *Once the procurement plan supervision and execution system is available in Barbados*: prior to the issuance of any invitations to prequalify or to bid for contracts, as the case may be, the Beneficiary shall present to the Bank for its review and approval, by means of inputting into the procurement plan supervision and execution system, the information contained in the proposed procurement plan for the Program, in accordance with the provisions of paragraph 1 of Appendix 1 to the Procurement Policies.
 - (C) In addition, in order to inform the Bank about the Program procurement implementation and progress, the Beneficiary, through the Executing Agency, undertakes to: (1) update the information contained in the procurement plan supervision and execution system

regarding the procurement plan approved by the Bank for the Program; and (2) review the procurement plan approved by the Bank for the Program on a quarterly basis or as needed during Program execution. Each updated version of the procurement plan shall be submitted to the Bank for its review and approval by inputting the updated information of the procurement plan into the procurement plan supervision and execution system. Procurement of all goods shall be undertaken in accordance with the procurement plan that has been approved by the Bank, and with the provisions of paragraph 1 of Appendix I to the Procurement Policies.

- (ii) Prior Review: Unless the Bank agrees otherwise in writing, the following contracts shall be subject to prior review, in accordance with the procedures established in paragraphs 2 and 3 of Appendix 1 to the Procurement Policies: with respect to each contract for works estimated to cost the equivalent of three million Dollars (US\$3,000,000) or more to be procured following International Competitive Bidding and with respect to each contract for goods estimated to cost the equivalent of one hundred and fifty thousand Dollars (US\$150,000) or more, to be procured following International Competitive Bidding. The Beneficiary shall present to the satisfaction of the Bank evidence that it has complied with the requirements set out in subparagraph (c) of this Section.
- (iii) Ex Post Review: With respect to each contract not governed by subsection (d)(ii) of this Section, the procedures set forth in paragraph 4 of Appendix 1 to the Procurement Policies shall apply. The Beneficiary, through the Executing Agency, shall retain and make available to the Bank, evidence that it has complied with the requirements set out in subparagraph (c) of this Section. The review shall be carried out annually.

(e) It is understood that goods and related services originating from non-Bank member countries may be eligible for procurement provided that the country of origin of the goods and related services is recognized as eligible by the European Commission under its applicable regulations.

SECTION 3.02 **Maintenance of Equipment and Works**. The Beneficiary undertakes to ensure that the works and equipment included in the Program shall be adequately maintained according to generally accepted technical standards. If from the inspections conducted by the Bank or from the reports it receives, it is determined that maintenance does not meet the levels agreed upon, the Beneficiary shall undertake the necessary measures to correct any shortcomings.

SECTION 3.03 **Recognition of Expenses Chargeable to the Counterpart Resources**. The Bank may recognize as part of the local contribution expenditures incurred or which may be incurred in the Program on or after June 25, 2012, and up to the date of this Agreement, provided that requirements substantially similar to those set forth in this Agreement have been fulfilled.

SECTION 3.04 Selection and Contracting of Consulting Services. The selection and contracting of consulting services shall be carried out in accordance with the provisions of Document GN-2350-9 (“Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank”), dated March 2011 (hereinafter referred to as “the Consultant Policies”), of which the Beneficiary confirms its knowledge and with the following provisions of this Section:

(a) The Beneficiary shall carry out the selection and contracting of consultants in accordance with the provisions of Section II of the Consultant Policies, and the provisions of paragraphs 3.16 through 3.20 thereof applicable to quality- and cost-based selection of consultants, and any other method set forth in Sections III and V of the Consultant Policies for the selection of consultant firms and individual consultants, respectively. The short list of consultants for services estimated to cost less than the equivalent of two hundred thousand Dollars (US\$200,000) per contract may comprise entirely of national consultants in accordance with the provisions set forth in paragraph 2.7 of the Consultant Policies.

(b) Review by the Bank of the Selection of Consultants

- (i) Planning of Selection and Contracting: (A) *Prior to the procurement plan supervision and execution system being available in Barbados:* prior to the issuance of any request for proposal to the consultants, the Beneficiary shall present to the Bank, for its review and approval, a plan for the selection of consultants, which shall include cost estimates for each contract, contract grouping and applicable selection methods and procedures, in accordance with the provisions set forth in paragraph 1 of Appendix 1 to the Consultant Policies. Such plan shall be updated annually or as needed during Program execution and each updated version shall be submitted to the Bank for its review and approval. Selection of all consultants’ services shall be undertaken in accordance with the selection plan (as updated from time to time) that has been approved by the Bank.
- (B) *Once the procurement plan supervision and execution system is available in Barbados:* prior to the issuance to consultants of any requests for proposals, the Beneficiary shall present to the Bank for its review and approval by means of inputting into the procurement plan supervision and execution system, the information contained in the proposed procurement plan for the Program, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Policies.
- (C) In order to inform the Bank about the Program procurement implementation and progress, the Beneficiary undertakes to: (1) update the information contained in the procurement plan supervision and execution system regarding the procurement plan approved by the Bank for the Program; and (2) review the procurement plan approved

by the Bank for the Program on a quarterly basis or as needed during Program execution. Each updated version of the procurement plan shall be submitted to the Bank for its review and approval by inputting into the procurement plan supervision and execution system the updated information regarding the procurement plan. Selection of all consultants' services shall be undertaken in accordance with the procurement plan approved by the Bank, and with the provisions in paragraph 1 of Appendix 1 to the Consultant Policies.

(ii) Prior Review: Unless the Bank agrees otherwise in writing, the selection and contracting procedure regarding the following contracts shall be subject to the Bank's prior review, in accordance with the procedures established in paragraphs 2 and 3 of Appendix I of the Consultant Policies:

(A) With respect to each contract for the contracting of consulting firms with an estimated cost of the equivalent of two hundred thousand Dollars (US\$200,000) or more, or to be selected on a sole source basis.

(B) With respect to each contract for the contracting of individual consultants to be selected on a sole source basis, or estimated to cost the equivalent of fifty thousand Dollars (US\$50,000) or more, the qualifications and experience of the consultant selected on a sole source basis, the report on the comparison of the qualifications and experience of candidates, terms of reference and terms of employment of the consultants shall be furnished to the Bank by the Beneficiary for its prior review and approval. The contract shall be awarded only after the Bank has expressed its non-objection.

(iii) Ex Post Review: Ex post review shall apply with respect to each contract not governed by subsection (c)(ii) of this Section, in accordance with the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Policies. The review shall be carried out annually.

(c) The consultants shall perform their work in accordance with the terms of reference previously agreed upon, for each of them by the Executing Agency and the Bank, on the understanding that the said terms of reference may be adjusted or expanded during the execution of the Program by mutual agreement between the Executing Agency and the Bank.

(d) Consultants shall perform their work in an integrated manner with the local professional staff assigned or contracted by the Executing Agency to participate in the execution of the Program, with a view to carrying out technical and operational training of such staff by the conclusion of the work.

(e) It is understood that suppliers, consultants and providers originating from non-Bank member countries may participate in procurement processes provided that their nationality is recognized as eligible by the European Commission under its applicable regulations.

SECTION 3.05 **Evaluations.** (a) The Beneficiary through the Executing Agency, will be responsible for the following evaluations: (i) a mid-term evaluation once half of the execution period has elapsed or once fifty per cent (50%) of the resources of the Loan have been disbursed, whichever occurs first; and (ii) a final evaluation once ninety per cent (90%) of the resources of the Loan have been disbursed.

(b) The mid-term and final evaluations will measure, through a comparison between a Business as Usual (BAU) scenario vs. PSSE Program scenario and an ex-post Cost-Benefit Analysis, the following indicators: (i) savings in Government energy consumption and spending; (ii) avoided CO₂ emissions; (iii) jobs created by the PSSE Program; (iv) reduced fossil fuel use in Barbados' energy matrix; (v) emerging energy technologies demonstrated by wider uptake; and (vi) institutional capacity for sustainable energy programming.

(c) These evaluations will be carried out by consultancy services, in accordance with terms of reference previously approved by the Bank.

SECTION 3.06. **“Ex post” evaluation report.** The Beneficiary, through the Executing Agency, shall collect and maintain available information, indicators and parameters needed to carry out an “*ex post*” evaluation, if required, of the Program results, based on a methodology, and terms to be agreed with the Bank.

CHAPTER IV

Records, Inspections, and Reports

SECTION 4.01 **Records, Inspections and Reports.** The Beneficiary agrees to directly or through the Executing Agency: maintain records; permit inspections; submit reports; maintain a management, accounting and financial administration system acceptable to the Bank; and submit financial statements and financial reports to the Bank in accordance with the provisions established in this Chapter and in Chapter VII of the General Conditions.

SECTION 4.02 **Supervision of Program Execution.** (a) The Bank shall use the Program implementation plan referred to in Article 3.01(d)(i) of the General Conditions as an instrument to supervise Program execution. The Program implementation plan shall be based on the procurement plan referred to in Sections 3.01(d)(i) and 3.04(b)(i) of these Special Conditions, and shall include a complete planning of the Program, with the critical path of actions to be implemented in order to disburse the resources of the Financing before the expiration of the disbursement period set forth in Section 2.04 of these Special Conditions.

(b) The Program implementation plan shall be updated as needed, particularly upon the occurrence of a significant change that causes or may cause a delay in Program execution. The Beneficiary shall inform the Bank of any change in the Program implementation plan no later than upon presentation of the respective semiannual progress report. These reports shall include, among others, the following information: (i) number of government buildings retrofitted; (ii) cumulative MW of RE introduced and MWh saved with EE measures or equipment; (iii) number of street lights retrofitted and MWh saved; (iv) pilot project in execution including the MW of RE introduced and MWh saved with EE measures; (v) fossil fuels saved (i.e., barrels of oil equivalent of electricity saved and generated by RE and EE measures); (vi) Program's Financial savings; (vii) CO₂ emissions avoided by the PSSE Program; and (viii) jobs created by the PSSE Program.

SECTION 4.03 Financial Statements. The Beneficiary agrees to submit within one hundred twenty (120) days following the closing of each fiscal year of the Executing Agency and within the disbursement period of the Financing, the Program's audited financial statements, duly audited by a firm of independent public accountants acceptable to the Bank; or by the Auditor General of Barbados. The last of these reports shall be submitted within one hundred twenty (120) days following the date stipulated for the final disbursement of the Financing.

CHAPTER V

Miscellaneous Provisions

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

SECTION 5.02 Termination of the European Commission Specific Contribution Agreement. In the event that the grounds indicated in Article 5.01(iv) of the General Conditions of this Agreement are invoked, all the rights and obligations referring to the Bank will be transferred to the European Commission thereby releasing the Bank of all responsibility *vis-à-vis* the Executing Agency.

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

SECTION 5.04 Communications. Any notice, request, or communication from one party to another by virtue of this Agreement shall be made in writing and shall be considered to have been made when the relevant document is delivered to the addressee at the respective address given below, unless the parties agree otherwise in writing:

For the Beneficiary:

Mailing address:

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

Facsimile: (246) 228-1641

For Matters relating to the Execution of the Program:

Mailing Address:

Permanent Secretary
Energy and Telecommunications Division (ETD)
Prime Minister's Office
Trinity Business Complex
Country Road
St. Michael, Barbados

Facsimile: (246) 429-7489

For the Bank:

Mailing address:

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

Facsimile: (202) 623-3096

CHAPTER VI

Arbitration

SECTION 6.01 **Commitment to Arbitrate**. For the solution of any controversy which may arise out of this Agreement and which is not resolved by agreement between the parties, they unconditionally and irrevocably submit themselves to the procedure and ruling of the Arbitration Tribunal referred to in Chapter IX of the General Conditions.

IN WITNESS WHEREOF, the Beneficiary and the Bank, each acting through its authorized representative, have signed this Agreement, in two (2) equally authentic copies in Bridgetown, Barbados, on the date above written.

THE GOVERNMENT OF BARBADOS

INTER-AMERICAN DEVELOPMENT
BANK

/s/ Freundel J. Stuart

/s/ Joel Branski

The Hon. Freundel J. Stuart, Q.C., M.P.
Prime Minister

Joel Branski
Representative of the Bank in Barbados

GENERAL CONDITIONS

CHAPTER I

Application of General Conditions

ARTICLE 1.01. **Application of General Conditions.** These General Conditions set forth terms and conditions applicable to the non-reimbursable financing agreements agreed between the Bank and the Beneficiaries, and the provisions hereof form an integral part of this Agreement.

CHAPTER II

Definitions

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

(a) “Advance of Funds” means the amount of resources advanced by the Bank to the Beneficiary, chargeable to the resources of the Contribution, to cover eligible expenditures of the Project, as provided in Article 3.06 of these General Conditions.

(b) “Agreement” means the entirety of the Special Conditions, the General Conditions and the Annexes.

(c) “Bank” means the Inter-American Development Bank.

(d) “Beneficiary” means the party to which the Contribution is made available.

(e) “Closing Period” means a ninety (90)-day period from the date stipulated for the final disbursement of the Contribution, in order to finalize pending payments to third parties, to present the final justification of expenditures made, to reconcile the books and records, and to reimburse to the Bank the resources disbursed from the Contribution but not used and/or justified, as provided in Article 3.05 of these General Conditions.

(f) “Contracting Agency” means the entity with the legal capacity to sign the Contract for the Procurement of Works and Goods and the Selection and Contracting of Consultants with the Contractor, Supplier, and Consulting Firm or Individual Consultant, as the case may be.

(g) “Contribution” means the funds which the Bank has agreed to make available to the Beneficiary, on a non-reimbursable basis, to assist in carrying out the Project.

(h) “Executing Agency” means the entity responsible for executing all or part of the Project.

(i) “General Conditions” means the entirety of Articles which comprise Part Two of this Agreement and reflect the basic policies of the Bank uniformly applicable to its non-reimbursable financing agreements.

(j) “Prohibited Practices” means the act(s) defined in Article 5.02(a) of these General Conditions.

(k) “Project” means the Program or Project for which the Contribution has been extended.

(l) “Semester” means the first or second six months of a calendar year.

(m) “Special Conditions” means the entirety of the provisions which comprise Part One of this Agreement and contain the particular terms of the operation.

CHAPTER III

Conditions Relating to Disbursements

ARTICLE 3.01. Conditions Prior to First Disbursement. The first disbursement of the Contribution 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 Beneficiary in this Agreement are valid and enforceable. Such opinions shall also refer to any other legal question that the Bank may reasonably deem relevant.

(b) The Beneficiary shall have designated one or more persons authorized to represent it in all acts relating to the execution of this Agreement, and submission to the Bank of authenticated specimen signatures of such persons. If two or more officials are designated, the designation shall indicate whether they may act severally or jointly;

(c) The Beneficiary, either directly or through the Executing Agency, if any, shall have demonstrated to the Bank that sufficient resources have been allocated to cover, at least during the first calendar year, the execution of the Project, in accordance with the investment schedule referred to in the following paragraph. If this Contribution constitutes a continuation of the same operation, the earlier stage or stages of which the Bank is financing, the obligation set forth in this paragraph shall not be applicable.

(d) The Beneficiary, either directly or through the Executing Agency, if any, shall have presented to the Bank an initial report prepared in the form indicated by the Bank which, in addition to such other information as the Bank may reasonably request pursuant to the provisions

of this Agreement, shall set forth: (i) a plan for implementation of the Project including the plans and specifications deemed necessary by the Bank, except with respect to a program for the granting of credits; (ii) a calendar or schedule of work or granting of credits, as the case may be; (iii) a table of the source and use of funds setting forth a detailed schedule of investments in accordance with the categories of investment established in this Agreement and an indication of the annual contributions needed from the various sources of funds from which the Project will be financed; and (iv) the content that the progress reports referred to in Article 7.03 of these General Conditions shall have. If this Agreement permits the recognition of expenditures made prior to its entry into effect, the initial report shall include a statement of the investments and, in accordance with the objectives of the Contribution, a description of works carried out under the Project or a statement as to credits granted, as the case may be, up to a date immediately preceding the report.

(e) The Beneficiary shall have demonstrated to the Bank that it has an adequate financial information system and internal control structure for the purposes indicated in this Agreement.

ARTICLE 3.02. Period for Fulfilling the Conditions Precedent to First Disbursement.

If within one hundred eighty (180) days from the effective date of this Agreement, or within such longer period as the parties may agree in writing, the conditions precedent to the first disbursement established in Article 3.01 of these General Conditions and in the Special Conditions have not been fulfilled, the Bank may terminate this Agreement by giving notice to the Beneficiary.

ARTICLE 3.03. Requisites for all Disbursements. In order for the Bank to make any disbursement, it shall be necessary that: (a) the Beneficiary or the Executing Agency, as the case may be, shall have submitted in writing, or by electronic means in such form and conditions as may be specified by the Bank, a disbursement request and, in support thereof, shall have supplied to the Bank such pertinent documents and other background materials as the Bank may have required; (b) the Beneficiary or the Executing Agency, as the case may be, shall have opened and maintains one or more bank accounts in a financial institution in which the Bank shall make the disbursements of the Contribution; (c) unless the Bank otherwise agrees, disbursement requests must be presented no later than thirty (30) calendar days prior to the expiration date of the period for disbursement or of any extension thereof which the Beneficiary or the Executing Agency, as the case may be, and the Bank may have agreed to in writing; and (d) none of the circumstances described in Article 5.01 of these General Conditions shall have occurred.

ARTICLE 3.04. Disbursement Procedures. (a) The Bank shall make disbursements of the Contribution as follows: (i) by transferring to the Beneficiary or the Executing Agency, as the case may be, the sums to which it is entitled under this Agreement, by means of reimbursement of expenditures or advance of funds¹; (ii) by making payments on behalf of and in agreement with the Beneficiary or the Executing Agency, as the case may be, to third parties or other banking institutions; and (iii) by utilizing such other modality as the parties may agree upon in

¹ "Advance of Funds" means the amount of resources advanced by the Bank to the Beneficiary or the Executing Agency, as the case may be, chargeable to the resources of the Contribution, to cover eligible expenditures of the Project.

writing. Any banking expenses that may be charged by any third party in connection with disbursements shall be borne by the Beneficiary or the Executing Agency, as the case may be.

(b) With resources of the Contribution and upon fulfillment of the requirements set forth in Articles 3.01 and 3.03 of these General Conditions and the pertinent requirements established in the Special Conditions, the Bank may disburse resources of the Contribution in order to:

- (i) Reimburse the Beneficiary or the Executing Agency, as the case may be, for expenditures related to the execution of the Project that have been financed with its own resources or with other sources of financing and that are eligible to be financed with resources of the Contribution, pursuant to the provisions of this Agreement. Except by express agreement between the parties, the disbursement requests for reimbursing expenditures financed by the Beneficiary or Executing Agency, as the case may be, shall be made promptly following the incurrence of such expenses, or no later than sixty (60) days following the conclusion of each calendar semester or within such other term as the parties may agree; and
- (ii) Advance resources to the Beneficiary or the Executing Agency, as the case may be, based on the liquidity needs of the Project, to cover expenditures related to the execution of the Project that are eligible to be financed with resources of the Contribution, pursuant to the provisions of this Agreement. The maximum amount of each advance of funds shall be set by the Bank and will consist of a defined amount based on the liquidity needs of the Project to cover periodic projected expenditures that are eligible to be financed by the Contribution. At no time may the maximum amount of an advance of funds exceed the amount required to finance such expenditures during a period of six (6) months, in accordance with the investment schedule and the cash flow required to meet such purpose and the capacity demonstrated by the Beneficiary or the Executing Agency, as the case may be, to efficiently manage the resources of the Contribution.

(c) The Bank may: (i) increase the maximum amount of an Advance of Funds when, in the opinion of the Bank, immediate cash flow needs that merit such increase arise, upon presentation to the Bank by the Beneficiary or the Executing Agency, as the case may be, of a request duly justified and accompanied by a statement of projected expenditures for the execution of the Project during the corresponding advance of funds period in effect; or (ii) make a new advance of funds based on the provisions of paragraph (b)(ii) above, provided that at least eighty percent (80%) of the total amount of resources disbursed as an advance of funds has been justified.

(d) The Bank may also reduce or cancel the total aggregate balance of any Advance or Advances of Funds should the Bank determine that the disbursed resources of the Contribution have not been used or justified to the Bank sufficiently and on a timely basis, to the Bank's satisfaction, in accordance with the provisions established in this Agreement.

ARTICLE 3.05. Closing Period.² The Beneficiary or the Executing Agency, as the case may be, shall: (a) present to the Bank's satisfaction, within a period of ninety (90) days from the date stipulated for the final disbursement of the Contribution, the supporting documentation relating to expenditures made for the execution of the Project, and any other information that the Bank may have requested; and (b) return to the Bank, at the latest on the date of expiration of the Closing Period, the balance of the disbursed resources of the Contribution that have not been utilized or not been duly justified. If audit services are to be financed with resources of the Contribution, and such services will not be concluded and paid for prior to the expiration of the Closing Period referred to in section (a) above, the Beneficiary or the Executing Agency, as the case may be, shall inform and reach agreement with the Bank as to the way in which payment for such services will take place, and shall return to the Bank the resources of the Contribution allotted for such purpose, should the Bank not receive the audited financial statements and other audited reports within the periods stipulated in this Agreement.

ARTICLE 3.06 Expenditures chargeable to the Contribution. The Contribution shall exclusively finance those categories of expenditures which are set forth as chargeable to the Contribution in the budget contained in the Annex that describes the Project. Only direct and actual expenditures made for the execution of the Project may be charged to the Contribution. Indirect or general operating expenses, which are not included in the Project budget, cannot be charged to the Contribution.

CHAPTER IV

Exchange Rate, Renunciation and Cancellation

ARTICLE 4.01. Exchange Rate. (a) Disbursements: (i) The equivalence in dollars of the United States of America of other convertible currencies in which the disbursements of the Contribution may be made, shall be calculated applying the exchange rate in effect in the market on the date of the disbursement; and (ii) The equivalence in dollars of the United States of America of the local currency, or other non-convertible currencies, in the case of regional Projects, in which the disbursements of the Contribution may be made, shall be calculated applying, on the date of the disbursement, the exchange rate established pursuant to the understanding in force between the Bank and the respective country for the purpose of maintaining the value of its currency, or other non-convertible currencies, in the case of regional Projects, held by the Bank.

(b) Expenditures: The equivalence in the currency of the Contribution of an expenditure made in the currency of the country of the Beneficiary or the Executing Agency, as the case may be, shall be calculated using one of the following exchange rates in accordance with the provisions set forth in the Special Conditions of this Agreement: (i) the same exchange rate used in the conversion of the resources disbursed in the currency of the Contribution to the currency of the country of the Beneficiary or the Executing Agency. In this case, for purposes of

² "Closing Period" means a ninety (90)-day period from the date stipulated for the final disbursement of the Contribution, in order to finalize pending payments to third parties, to present the final justification of expenditures made, to reconcile the books and records, and to reimburse to the Bank the resources disbursed from the Contribution but not utilized and justified.

reimbursement of expenditures chargeable to the Contribution and the recognition of expenditures chargeable to the local counterpart, the applicable exchange rate shall be the prevailing exchange rate on the date on which the reimbursement request is presented to the Bank; or (ii) the prevailing exchange rate in the country of the Beneficiary or the Executing Agency, as the case may be, on the actual date of the payment of the expenditure in the currency of the country of the Beneficiary or the Executing Agency.

ARTICLE 4.02. Renunciation of Part of the Contribution. The Beneficiary may renounce, by written notice to the Bank, its right to utilize any part of the Contribution which has not been disbursed before the receipt of the notice, provided that the amounts foreseen in Article 5.03 of these General Conditions are not involved.

ARTICLE 4.03. Automatic Cancellation of Part of the Contribution. Unless the Bank and the Beneficiary expressly agree in writing to extend the term for making disbursements, that portion of the Contribution not committed or disbursed, as the case may be, within the corresponding term, shall automatically be canceled.

CHAPTER V

Suspension and Cancellation of Disbursements and other Measures

ARTICLE 5.01. Suspension and Cancellation of Disbursements. (a) The Bank, by written notice to the Beneficiary, may suspend disbursements or cancel the undisbursed portion of the Contribution if any of the following circumstances occurs:

- (i) The failure of the Beneficiary or the Executing Agency, as the case may be, to fulfill any obligation stipulated in this Agreement;
- (ii) Any circumstance which, in the Bank's opinion, may render unlikely the attainment of the objectives of the Project. Under these circumstances, the Bank shall notify in writing the Beneficiary or the Executing Agency, as the case may be, so that it may present its points of view, and after thirty (30) days from the date of the Bank's notice, it may suspend the disbursement or cancel the undisbursed portion of the Contribution.
- (iii) Withdrawal or suspension from membership in the Bank of the country in which the Project is to be executed.
- (iv) A lag, delay, or failure by the European Commission, in complying with the obligations set forth in the Specific Contribution Agreement for the transfer of the European Commission resources to the IDB/EC account.
- (v) Termination of the Specific Contribution Agreement signed with the European Commission for the transfer of European Commission resources for the financing of the Project.

(b) Pursuant to the sub-paragraphs (i) and (i) above, the parties agree that upon the occurrence of institutional or organizational changes within the Beneficiary or the Executing Agency, which, in the Bank's opinion, might affect the timely attainment of the Project's objectives, the Bank shall review and evaluate the likely attainment of the objectives and may at its discretion, suspend, condition or cancel the disbursements of the Contribution.

(c) In addition to the provisions of paragraph (a) above, the Bank may: (i) suspend disbursement if, in accordance with the Bank's sanctions procedures, it is determined at any stage that an employee, agent or representative of the Beneficiary or the Executing Agency has committed a prohibited practice, as defined in Article 5.02(a) of these General Conditions (hereinafter "Prohibited Practices") during the procurement process or during the execution of a contract; and (ii) cancel the undisbursed portion of the Contribution pertaining unequivocally to the procurement of certain goods, works or related services, or consulting services, if (A) it determines at any time that the procurement was carried out without following the procedures set forth in this Agreement; or (B) in accordance with the Bank's sanctions procedures, it is determined that any firm, entity or individual bidding for or participating in a Bank-financed activity including, inter alia, applicants, bidders, contractors, consulting firms and individual consultants, personnel, subcontractors, sub-consultants, providers of goods or services, concessionaires, the Beneficiary or the Executing Agency (including their respective officers, employees and representatives, irrespective of whether the agency is express or implied) has committed a Prohibited Practice during any stage of procurement or during the execution of a contract, when there is evidence that the representative of the Beneficiary or the Executing Agency has not taken the appropriate corrective action (including, among other things, adequate notice to the Bank upon learning of the Prohibited Practice) within a time period which the Bank considers reasonable.

ARTICLE 5.02 Prohibited Practices. (a) For the purposes of this Agreement, a Prohibited Practice shall be understood to include the following practices: (i) a "corrupt practice" is the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party; (ii) a "fraudulent practice" is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation; (iii) a "coercive practice" is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party; (iv) a "collusive practice" is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party; and (v) an "obstructive practice" is: (A) deliberately destroying, falsifying, altering or concealing evidence material to the investigation or making false statements to investigators in order to materially impede a Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (B) acts intended to materially impede the exercise of the Bank's inspection and audit rights provided in Articles 7.02 and 7.03 of these General Conditions.

(b) In addition to the provisions in Articles 5.01(c)(i) and 5.01(c)(ii)(B) of these General Conditions, if it is demonstrated that in accordance with the sanctions procedures of the

Bank any firm, entity or individual bidding for or participating in a Bank-financed activity including, inter alia, applicants, bidders, suppliers, contractors, consulting firms and individual consultants, personnel, sub-contractors, sub-consultants, goods and service providers, concessionaires, the Beneficiary or the Executing Agencies (including their respective officers, employees, and agents, irrespective of whether the agency is expressed or implied) has engaged in a Prohibited Practice, during any stage of the procurement process or during the execution of a contract, the Bank may:

- (i) decline to finance any proposal to award a contract for the procurement of works, goods, related services and the contracting of consultant services;
- (ii) declare a procurement ineligible for Bank financing, when there is evidence that the representative of the Beneficiary or the Executing Agency has not taken the adequate remedial measures (including, among other things, adequate notice to the Bank upon learning of the Prohibited Practice) within a time period which the Bank considers reasonable;
- (iii) issue a reprimand in the form of a formal letter of censure of the firm's, entity's or individual's behavior;
- (iv) declare that a firm, entity, or individual is ineligible, either permanently or for a stated period of time, to (A) be awarded or participate in Bank-financed activities, and (B) be designated sub-consultant, sub-contractor, or goods and services supplier of an otherwise eligible firm being awarded a contract to execute Bank-financed activities;
- (v) refer the matter to appropriate law enforcement authorities; and/or
- (vi) impose other sanctions that it deems to be appropriate under the circumstances, including the imposition of fines representing reimbursement of the Bank for costs associated with investigations and proceedings. Such other sanctions may be imposed in addition to or in lieu of the sanctions mentioned in Article 5.01(c)(i), in Article 5.01(c)(ii)(B) and in this Article 5.02(b), numerals (i) through (v).

(c) The provisions of Article 5.01(c)(i) and Article 5.02(b)(i) shall be applicable in cases where the parties have been declared temporarily ineligible for the award of new contracts pending a final decision of a sanction proceeding, or otherwise.

(d) The imposition of any measure to be taken by the Bank pursuant to the provisions referred to above may be public.

(e) Any firm, entity or individual bidding for or participating in a Bank-financed activity including, inter alia, applicants, bidders, contractors, consulting firms and individual consultants, personnel, sub-contractors, sub-consultants, providers of goods or services, concessionaires, the Beneficiary or the Executing Agency (including their respective officers,

employees, and agents, irrespective of whether the agency is expressed or implied) may be subject to sanctions pursuant to agreements that the Bank may have with other international financing institutions regarding the mutual enforcement of debarment decisions. For purposes of this sub-paragraph (e) the term “sanction” shall mean any debarment, conditions on future contracting or any publicly-disclosed action taken in response to a violation of an international financing institution applicable framework for addressing allegations of Prohibited Practices.

(f) When a Beneficiary procures goods, works or services other than consulting services directly from a specialized agency or hires a specialized agency to provide technical assistance under an agreement between the Beneficiary and such specialized agency, all provisions contained in this Agreement regarding sanctions and Prohibited Practices shall apply in their entirety to applicants, bidders, contractors, consulting firms or individual consultants, personnel, sub-contractors, sub-consultants, suppliers of goods and services (including their respective officers, employees, and agents, irrespective of whether the agency is expressed or implied), or any other entity that has signed contracts with such specialized agency to supply such goods, works or services other than consulting services in connection with Bank-financed activities. The Bank retains the right to require the Beneficiary to invoke remedies such as suspension or termination. The Beneficiary agrees that contracts with specialized agencies shall include provisions requiring said agencies to consult the Bank’s list of firms and individuals declared ineligible temporarily or permanently by the Bank. In the event that a specialized agency signs a contract or purchase order with a firm or an individual declared ineligible either temporarily or permanently by the Bank, the Bank will not finance the related expenditures and will apply other remedies as appropriate.

ARTICLE 5.03. Obligations not Affected. Notwithstanding the provisions of the foregoing Articles 5.01 and 5.02, none of the measures set forth in this Chapter shall affect the disbursement by the Bank of: (a) any amounts subject to the guarantee of an irrevocable letter of credit; and (b) any amounts which the Bank by specific written agreement with the Beneficiary or the Executing Agency, or the Contracting Agency, if any, has agreed to provide from the resources of the Contribution to make payments to a contractor or supplier of goods and related services or consultant services. The exceptions set forth in subparagraph (b) shall not apply if the Bank determines that a Prohibited Practice occurred with respect to the procurement of, or the negotiation or execution of the contract for the works, goods and related services or consultant services.

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

ARTICLE 5.05. Provisions not Affected. The application of any of the measures provided by this Chapter shall not affect the obligations of the Beneficiary established in this Agreement, which shall remain in full force and effect.

CHAPTER VI

Execution of the Project

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

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

ARTICLE 6.02. Procurement of works, goods, related services and contracting of consultants. (a) With resources of the Contribution and up to the amount allocated for that purpose in the budget set forth in the Annex that describes the Project, the Beneficiary or the Executing Agency, as the case may be, may procure the works, goods and related services and contract the consulting services required for the execution of the Project.

(b) When the works, goods and related services procured and the consulting services contracted for the Project are financed entirely with Counterpart Resources, the Beneficiary or the Executing Agency, as the case may be, shall, whenever possible, follow procedures that allow for the participation of several bidders or proponents, and shall take into account principles of economy, efficiency and reasonability of price.

(c) When sources of financing other than resources of the Contribution or of the Counterpart Resources are used, the Beneficiary or the Executing Agency, as the case may be, may agree with the financing entity the procedure to be followed for the procurement of works, goods and related services and the contracting of consultants. Notwithstanding, at the Bank's request, the Beneficiary or the Executing Agency, as the case may be, shall demonstrate the reasonability of both the price agreed upon or paid for the procurement of such works, goods and related services or the contracting of consultants, and of the financial conditions of the credits. The Beneficiary or the Executing Agency, as the case may be, shall likewise demonstrate that the quality of the works, goods and related services and of the consultants meets the technical requirements of the Project.

(d) During the execution of the Project, the works, goods referred to in subsection (a) above shall be used exclusively for the execution of the Project.

(e) The goods included in the Program shall be adequately maintained according to generally accepted technical standards, at a level compatible with the services that they should provide.

ARTICLE 6.03. Other contractual obligations of consultants. In addition to the special requirements included in Article 7.01(c), Article 7.02(e) and Article 7.03(g) of these General Conditions, of the Special Conditions, in the Annex or Annexes and in the respective terms of reference, the Beneficiary or the Executing Agency, as the case may be, agrees that contracts signed with consultants shall also specify the consultants' obligations to:

- (i) provide any clarifications or additional information that the Beneficiary, Executing Agency or the Bank consider necessary with respect to the consultants' reports required under the terms of reference set forth in their respective contracts;
- (ii) provide the Beneficiary or the Executing Agency and the Bank with any additional information they may reasonably request concerning the performance of their work; and
- (iii) in the case of international consultants, perform their work in an integrated manner with the local professional staff assigned or contracted by the Beneficiary or the Executing Agency to participate in the execution of the Project, with a view to carrying out technical and operational training of such staff by the conclusion of the work.

ARTICLE 6.04. Additional Resources. (a) The Beneficiary shall contribute in a timely manner all the resources in addition to those of the Contribution which may be necessary for the complete and uninterrupted execution of the Project, the estimated amount of which is specified in the Special Conditions. If during the process of disbursement of the Contribution an increase in the estimated cost of the Project arises, the Bank may require the modification of the investment schedule referred to in Article 3.01(d) of these General Conditions in order that the Beneficiary shall meet such increase.

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

CHAPTER VII

Records, Inspections and Reports

ARTICLE 7.01. Financial Information and Internal Control Systems. (a) The Beneficiary or the Executing Agency, as the case may be, shall maintain: (i) a financial information system acceptable to the Bank that enables accounting, budgetary and financial record-keeping, as well as the issuance of financial statements and other reports related to the resources of the Contribution and other financial sources, as the case may be; and (ii) an internal control structure that enables effective Project management; provides reliability regarding the

financial information and the physical, magnetic and electronic records and files; and enables the fulfillment of the provisions of this Agreement.

(b) The Beneficiary or the Executing Agency, as the case may be, shall preserve the original records of the Project for a minimum period of three (3) years after the date agreed upon for the final disbursement of the Contribution, in such a way as to: (i) make possible the identification of the sums received from the different sources; (ii) show, in accordance with the financial information system approved by the Bank, the expenditures made for the Project, both with the resources of the Contribution and with the other funds to be provided for its complete execution; (iii) include sufficient detail to identify the services contracted and the goods procured, as the case may be, as well as the utilization of such services and goods; (iv) provide evidence as to conformity in the acceptance, authorization and payments for the contracted services or purchased goods, as the case may be; (v) maintain documentation relating to the bidding process and the execution of the contracts financed by the Bank and other financial sources, including, but not limited to, bid requests, bid packages and summaries, bid evaluations, contracts, correspondence, work product and drafts, invoices, certificates and acceptance reports, and receipts, including documents relating to the payment of commissions, and payments to agents, consultants and contractors; and (vi) show the cost of the Project in relation to each category in the Project's budget.

(c) The Beneficiary agrees that bidding documents, requests for proposals and contracts financed with resources of the Contribution that the Beneficiary or the Executing Agency celebrate, shall include a provision that requires providers of goods or services, contractors, subcontractors, consultants and representatives, personnel, sub-consultants, subcontractors, or concessionaires retain all documents and records relating to Bank-financed activities for a period of seven (7) years after completion of the work referred to in the respective contract.

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

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

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

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

(e) The Beneficiary agrees that bidding documents, requests for proposals and contracts financed with resources of the Contribution that the Beneficiary or the Executing Agency enter into shall include a provision that requires applicants, bidders, providers of goods or services and their representative, contractors, sub-contractors, consultants and their representatives, sub-consultants, service providers and concessionaires to: (i) permit the Bank to inspect any and all accounts, records, and other documents relating to the submission of bids and contract performance as well as to have them audited by auditors appointed by the Bank; (ii) assist the Bank with its investigation; and (iii) deliver any document necessary for the investigation of allegations of Prohibited Practices and make available their employees or agents with knowledge of the Bank-financed activities to respond to questions from Bank personnel or any properly designated investigator, agent, auditor or consultant relating to the investigation. If the applicant, bidder, supplier and its agent, contractor, consultant, personnel, subcontractor, sub-consultant, service provider or concessionaire fails to cooperate and/or comply with the Bank's request, or otherwise obstructs the investigation, the Bank, in its sole discretion, may take appropriate action against the applicant, bidder, supplier and its agent, contractor, consultant, personnel, sub-contractor, sub-consultant, service provider or concessionaire.

ARTICLE 7.03. External Audit. (a) The Beneficiary or the Executing Agency, as the case may be, shall present to the Bank, during the period of Project execution and within the deadlines and with the frequency provided in the Special Conditions of this Agreement, the Project's financial statements and other reports, and any additional financial information relating thereto that the Bank may request, in accordance with accounting principles and standards acceptable to the Bank.

(b) The Beneficiary agrees to have the financial statements and other reports, as indicated in the Special Conditions of this Agreement, audited by independent auditors acceptable to the Bank, in accordance with auditing principles and standards acceptable to the Bank, and to present to the Bank's satisfaction such information as may be requested by the Bank related to the independent auditors whose services have been engaged.

(c) The Beneficiary shall select and hire directly or through the Executing Agency, the independent auditing services that are necessary for the timely submission of the financial statements and other reports indicated in paragraph (b) above, no later than four (4) months before the closing of each fiscal year of the country of the Beneficiary, beginning on the date on which this Agreement enters into effect, or such other time as may be agreed upon between the parties, in accordance with procedures and terms of reference previously agreed upon with the Bank. The Beneficiary or the Executing Agency, as the case may be, shall authorize the auditors to provide the Bank with any additional information it may reasonably request with respect to the audited financial statements and other audited reports.

(d) In cases in which the audit is to be performed by an official auditing agency and such agency is unable to perform the audit in accordance with requirements satisfactory to the Bank or within the deadlines, for the period of duration or with the frequency mentioned in this Agreement, the Beneficiary 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 section (c) above.

(e) Notwithstanding the provisions above, the Bank may, on an exceptional basis and subject to prior agreement between the parties, select and hire the services of independent auditors to prepare the financial statements and other audited reports required pursuant to this Agreement when: (i) the benefits of the selection and hiring of such services by the Bank outweigh the costs of doing so; (ii) there is limited access to the services of qualified private firms and independent public accountants within the country; or (iii) special circumstances warrant the selection and hiring of such services by the Bank.

(f) The Bank shall have the right to request the Beneficiary or the Executing Agency, as the case may be, to have other types of independent audits and/or 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, selection procedures and terms of reference shall be agreed upon between the parties.

(g) Bidding documents and contracts that the Beneficiary or the Executing Agency enter into with a supplier of goods or services, contractor, sub-contractor, consultant, sub-consultant, personnel or concessionaire shall include a provision allowing the Bank to inspect any accounts, records and other documents relating to the submission of proposals and contract performance and to have them audited by auditors appointed by the Bank.

ARTICLE 7.04. Other Commitments. The Beneficiary, either directly or through the Executing Agency shall also:

(a) provide the consultants and local experts with secretarial services, offices, office supplies, communication services, transport and any other logistical support required for the execution of their work;

(b) present to the Bank a copy of the consultants' reports and their comments thereon;

(c) provide the Bank with any other additional information or legal reports as it may reasonably request concerning the execution of the Project and the use of the Contribution and the Counterpart Resources; and

(d) keep the Bank's Representative in the respective country or countries informed of all aspects of the Project.

CHAPTER VIII

Miscellaneous Provisions

ARTICLE 8.01. Publication of Documents. Any document issued under the Bank's name or logotype, which is intended for publication, as part of a special project, joint program, research initiatives or any other activity financed with the resources of the Project, shall be previously approved by the Bank.

ARTICLE 8.02. Supervision in the Field. Without prejudice to the supervision of the Project activities performed by the Beneficiary or the Executing Agency, as the case may be, the Bank may supervise the Project in the field.

ARTICLE 8.03. Limitation of the Bank's Obligation. It is understood that the granting of the Contribution by the Bank does not constitute any obligation whatsoever on its behalf to totally or partially finance any project or program that may directly or indirectly result from the execution of the Project.

CHAPTER IX

Arbitration Procedure

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

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

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

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

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

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

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

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

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

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

ANNEX

The Program

Public Sector Smart Energy (PSSE) Program and Support for the PSSE Program

I. Objective

- 1.01** The objective of this Program is to promote and implement the use of Renewable Energy (RE) and Energy Efficiency (EE) measures through the creation of the Public Sector Smart Energy (PSSE) Program. Ultimately, the Program will help to reduce Barbados' fossil fuel dependency, promote sustainable energy and therefore contribute to the country's competitiveness.
- 1.02** The specific objectives of the Program are to: (i) install RE systems in government buildings in the Program and retrofit these buildings and public lights with EE technologies; (ii) implement the RE pilot project; and (iii) assist with capacity building, institutional strengthening and public awareness in the energy sector.

II. Description

- 2.01** In order to achieve the Program objective described in Section I above, the Program contemplates the following three (3) components:

Component 1: Retrofit of government buildings with RE and EE technologies and public lights with EE technologies

- 2.02** This component will finance: (i) the retrofit of public lights with EE technologies; (ii) the retrofit of at least twelve (12) government buildings with EE technologies, and (iii) the installation of solar PV systems on government buildings.

Component 2: A pilot project and studies for encouraging the use of renewable energy

- 2.03** This component will finance: (i) a fleet of government electric vehicles powered by RE sources; and (ii) studies culminating in the preparation of a business prospectus to facilitate the construction and operation of an ocean power plant.

Component 3: Capacity building, institutional strengthening and public awareness

- 2.04** This component will finance the following subcomponents: (i) capacity building and training to upgrade professional and technical skills; (ii) upgrade of capacity within the GOBA in all sectors related to sustainable energy; (iii) public awareness campaigns at all levels to promote sustainable energy, such as schools, government, media, conventions,

conferences and workshops. This subcomponent will allow the GOBA to implement an awareness and education program to promote RE and EE throughout the country, including schools, universities, labor unions, and broader civil society; (iv) a Project Execution Unit (PEU) for the Program in the Energy and Telecommunications Division (ETD), including a Project Manager, a Project Accountant, a Procurement Specialist and a Project Assistant as well as software for data collection; and (v) monitoring and evaluation of the Program, including the data collection and analysis of the impact, outcomes and output indicators of the results matrix using the methodologies explained in the Monitoring and Evaluation arrangements. The PSSE Program will be committed to gender equality and it will encourage women to participate in any training and to apply for any job opportunities.

III. Cost and Financing

3.01 The total cost of the Program is estimated in the amount of US\$24,664,000.00. The Bank will finance up to US\$17,000,000.00 while the European Commission will provide EUROS 5,810,000.00 which is equivalent to US\$7,664,000.00.

3.02 The following table contains a summary of the costs by component disaggregated by source of funding:

Total Program Costs
(in US\$)

Components	IDB	EC*		Total
	(US\$)	(Euros)	(US\$)**	
1. Retrofit of government buildings with RE and EE technologies and public lights with EE technologies				
1.1. EE Retrofits for Public Lights	3,850,000	4,645,300	6,127,638	9,977,638
1.2. EE Retrofits for Public Buildings	4,150,000	-	-	4,150,000
1.3. Solar PV for Public Buildings	5,500,000	-	-	5,500,000
2. Pilot project and studies for encouraging the use of RE				
2.1. Public Electric Vehicles with solar PV	300,000	-	-	300,000
2.2. Ocean Power Studies	-	758,000	999,882	999,882
3. Capacity building, institutional strengthening, public awareness and Project management				
3.1. Capacity Building, Institutional Strengthening, and Public Awareness	1,700,000	-	-	1,700,000
3.2. Monitoring & Evaluation and Project Management	1,500,000	116,200	153,280	1,653,280
4. Administrative Fee (5%)	-	290,500	383,200	383,200
Total	17,000,000	5,810,000	7,664,000	24,664,000

* Resources of the EC shall be maintained and reported in Euros unless the Bank and the EC agree otherwise in writing. The amount in US Dollars associated with the EC contribution is provided for reference purposes only and may vary due to exchange rate fluctuations, depending on the applicable exchange rate at the time when the EC payments of the contribution are received and converted into U.S. dollars by the Bank, as may be provided in the Specific Contribution Agreement

** Based on the exchange rate of April 13, 2012

IV. Execution

- 4.01** The Executing Agency will be the Energy and Telecommunications Division (ETD), Prime Minister's Office which will have full responsibility for overall Project management, supervision and evaluation.
- 4.02** To fulfill its responsibilities, the ETD will establish a Project Executing Unit (PEU) throughout the five-year execution period of the Project including: (i) a Project Manager who will have overall responsibility for the PEU as well as for the coordination and execution of all the components and activities under the Project; (ii) a Procurement Specialist who will be in charge of designing and implementing the procurement plan to ensure that it is executed on time and within budget, including overseeing of all procured contracts; (iii) a Project Accountant who will be in charge of the fiduciary arrangements; and (iv) one Project Assistant.
- 4.03** The Executing Agency will contract the Barbados Light & Power (BL&P) to: (i) carry out the tendering process for the EE street lights and (ii) install the EE street lights, as established in Component 1(i), within the execution period of the Program, in accordance with the Special Conditions of the Contract and the Non Reimbursable Financing Agreement. The fee for and the execution of the contract for the operation and maintenance (O&M) of the EE street lights will be negotiated between the Government of Barbados and the BL&P.