

**SOVEREIGN COUNTER-GUARANTEE CONTRACT No. 5902/OC-BA**

between the

GOVERNMENT OF BARBADOS

and the

INTER-AMERICAN DEVELOPMENT BANK

Program to Enhance Climate and Financial Resilience in Barbados

## SOVEREIGN COUNTER-GUARANTEE CONTRACT

### SPECIAL CONDITIONS

This sovereign counter-guarantee contract (this “Contract”) is entered into between the GOVERNMENT OF BARBADOS (the “Counter-Guarantor”) and the INTER-AMERICAN DEVELOPMENT BANK (the “Bank” and together with the Counter-Guarantor, the “Parties”).

#### WHEREAS:

(A) In accordance with the terms and conditions of a trust indenture and/or a loan agreement (interchangeably, the “Guaranteed Instrument”), the Counter-Guarantor will undertake certain payment obligations;

(B) The Counter-Guarantor has requested the Bank to issue a credit guarantee (the “Guarantee”) to cover such payment obligations for the benefit of the Guaranteed Creditors (as this term is defined below) for up to one hundred fifty million Dollars (US\$150,000,000) (the “Guaranteed Amount”);

(C) In consideration of the reimbursement and indemnity obligations contained in this Contract, and subject to the conditions provided for herein, the Bank has accepted to issue the Guarantee; and

(D) Among other conditions, the entry into effect of this Contract is a condition precedent for the issuance of the Guarantee.

#### IT IS THEREFORE AGREED BY THE PARTIES:

#### CHAPTER I

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

**SECTION 1.01. Purpose of the Contract.** The purpose of this Contract is to establish the terms and conditions under which the Bank shall issue the Guarantee in order to guarantee the Guaranteed Obligations (as this term is defined below), for up to the Guaranteed Amount, to support the execution of the “Program to Enhance Climate and Financial Resilience in Barbados” and to establish the terms and conditions under which the Counter-Guarantor will reimburse, indemnify and hold harmless the Bank for any disbursement, if any, made by the Bank under the Guarantee.

**SECTION 1.02. Constituent Elements of the Contract.** This Contract is composed of these Special Conditions and the General Conditions, which are attached hereto.

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

- (a) “Amortization Schedule” has the meaning assigned to that term in the General Conditions.
- (b) “Bank” has the meaning assigned to that term in the preamble of these Special Conditions.
- (c) “Contract” has the meaning assigned to that term in the preamble of these Special Conditions.
- (d) “Counter-Guarantor” has the meaning assigned to that term in the preamble of these Special Conditions.
- (e) “Early Disbursement Event of the Guarantee” has the meaning assigned to that term in Section 2.07 of these Special Conditions.
- (f) “Escrow Payment” means the payment made by the Bank to a trust, escrow account, or any other form of account or fund under administration, for the benefit of the Guaranteed Creditors, in accordance with Section 2.07 of these Special Conditions and with the Guarantee Contract.
- (g) “Executing Agency” has the meaning assigned to that term in Section 5.01 of these Special Conditions.
- (h) “Final Amortization Date” means the last day of amortization of the Outstanding Balance, to be determined by the Bank in accordance with Section 3.01(a) of these Special Conditions, which shall not exceed twenty (20) years from the date of the Guarantee Contract.
- (i) “Flexible Financing Facility” has the meaning assigned to that term in the General Conditions of this Contract.
- (j) “Guarantee” has the meaning assigned to that term in WHEREAS (B) of these Special Conditions.
- (k) “Guarantee Contract” means the contract or contracts pursuant to which the Bank will issue the Guarantee.
- (l) “Guaranteed Amount” has the meaning assigned to that term in WHEREAS (B) of these Special Conditions.
- (m) “Guarantee Fee” has the meaning assigned to that term in Section 2.05 of these Special Conditions.

- (n) “Guaranteed Creditors” means the creditors under the Guaranteed Instrument.
- (o) “Guaranteed Instrument” has the meaning assigned to that term in WHEREAS (A) of these Special Conditions.
- (p) “Guaranteed Obligations” means the payment obligations of the Counter-Guarantor under the Guaranteed Instrument that are covered by the Guarantee Contract.
- (q) “Guaranteed Payment” means any payment made by the Bank in accordance with the terms of the Guarantee Contract or any payment made by the Bank or on its behalf with respect to the Guarantee, including any Escrow Payment.
- (r) “Indemnified Parties” has the meaning assigned to the term in Section 4.02 of these Special Conditions.
- (s) “Legal Process” has the meaning assigned to the term in Section 4.02 of these Special Conditions.
- (t) “Maximum Available Guaranteed Amount” has the meaning assigned to it in the Guarantee Contract.
- (u) “Non-Callable Guaranteed Amount” means, if any, a total or partial portion of the Guaranteed Amount that has not become callable under the Guarantee Contract once such Guarantee Contract has entered into force. By virtue of the structure of this operation, the Non-Callable Amount will equal zero.
- (v) “Original WAL” means a term of twelve point seventy-five (12.75) years counted from the date of entry into force of the Guarantee.
- (w) “Outstanding Balance” has the meaning assigned to that term in Section 3.01(a) of these Special Conditions.
- (x) “Parties” has the meaning assigned to that term in the preamble of these Special Conditions.
- (y) “Payment Date” has the meaning assigned to that term in Section 2.05 of these Special Conditions.
- (z) “Person” means an individual, a corporation, a limited liability company, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.
- (aa) “Program” means the policy-reform program supported by the Bank’s guarantee, entitled “Program to Enhance Climate and Financial Resilience in Barbados”, which is based upon the Counter-Guarantor’s compliance with the policy conditions set forth in Section 2.03 below and includes, among other commitments, the Water Resilience Commitments.

- (bb) “Stand-by Fee” has the meaning assigned to that term in Section 2.06 of these Special Conditions.
- (cc) “WAL” means the “weighted average life”, a term expressed in years that will be calculated and determined by the Bank for the Guarantee, in accordance with the terms of the Flexible Financing Facility.
- (dd) “Water Resilience Commitments” means certain water resilience commitments and payment obligations undertaken by the Counter-Guarantor as approved by the Cabinet of Barbados as stated in Section 2.03(b) B.(i) below.

## **CHAPTER II**

### **The Guarantee**

**SECTION 2.01. Main Characteristics of the Guarantee.** Amongst other terms to be set forth in the Guarantee Contract, the Guarantee will be subject, as a minimum, to the following terms and conditions:

- (a) It will not exceed the Guaranteed Amount;
- (b) It will have an expiration date of up to twenty (20) years, and a WAL of up to twelve point seventy-five (12.75) years from the date of the entry into force of the Guarantee Contract; and
- (c) Any amounts drawn under the Guarantee will not be reinstated. Any reimbursement made in accordance with Section 3.01 will not be available for new Guaranteed Payments.

**SECTION 2.02. Conditions Precedent to the Issuance of the Guarantee.** The Bank shall enter into the Guarantee Contract for the issuance of the Guarantee, upon fulfilment, to its satisfaction, of the following conditions:

- (a) This Contract has entered into force;
- (b) The Bank has received one or more well-founded legal opinions from the Counter-Guarantor which establish, with citations of the pertinent constitutional, legal, and regulatory provisions, that: (i) this Contract complies with the laws of Barbados; and (ii) the obligations undertaken by the Counter-Guarantor in this Contract are valid and enforceable. Such opinions shall also refer to any other legal question that the Bank may deem relevant;
- (c) The Bank is, at its sole discretion, satisfied with the structuring of the Guaranteed Instrument and its related documentation and is in agreement with the terms and conditions of both the Guaranteed Instrument and the Guarantee Contract;

- (d) The Counter-Guarantor shall have designated one or more officials to represent it in all acts relating to the implementation of this Contract and shall have furnished the Bank with authentic copies of the signatures of said representatives. Should two or more officials be designated, the designation shall indicate whether such officials may act separately or must act jointly;
- (e) The Counter-Guarantor shall have complied with the policy conditions of this Program as described in Section 2.03 of these Special Conditions; and
- (f) The Counter-Guarantor: (i) shall be in compliance with all the obligations provided under this Contract; and (ii) shall not be in default for a period longer than thirty (30) days of any payment obligation set forth in this Contract or under any other contract entered into with the Bank.

**SECTION 2.03. Policy Conditions Precedent to the Issuance of the Guarantee.** The Counter-Guarantor shall have met, to the satisfaction of the Bank, the following policy conditions:

**(a) Macroeconomic Sustainability**

- (i) Maintenance of an appropriate Macroeconomic Policy Framework congruent with the Program's objectives and in accordance with the provisions of the letter dated June 13, 2024, describing the Counter-Guarantor's commitment in relation to the Program (the "Policy Letter").

**(b) Strengthening the enabling environment for resilient investments**

**A. Enhance the strategy and governance to promote climate-resilient investments**

- (i) Cabinet approval of the Barbados 2035: High-Level Investment Plan for Prosperity & Resilience directed to: (1) setting up a common framework to identify investment in adaptation and resiliency; and (2) identify priority investments and related resilience objectives.
- (ii) Cabinet approval of a robust governance structure responsible for the execution of resources obtained from the debt for climate transaction (DFCT), including: (1) main functions and responsibilities; (2) reporting and monitoring obligations; and (3) management processes.
- (iii) Cabinet approval of the establishment of a Project Steering Committee (PSC) to meet the Transparency Requirements of the Paris Agreement, including a clear mandate for the PSC and the invitation for its first meeting, including invitees list with the Bureau of Gender Affairs as an observer.

**B. Strengthen the Water and Sanitation Sector’s regulatory and strategic framework to promote resilient investments**

- (i) Cabinet approval of the Water Resilience Commitments of the Government of Barbados, including: (1) long-term commitments to improve water infrastructure and resiliency, including an assessment of current context of gender inclusion and women within Barbados Water Authority (BWA); (2) methodology to compute and allocate the savings of the transaction; and (3) incremental payments in case there is a breach of these commitments.
- (ii) Cabinet approval of BWA's comprehensive Non-Revenue Water Reduction and Implementation Plan to increase resilience and water security through the reduction of water losses and management of supply and demand of water.
- (iii) Cabinet approval of the BWA three-year Strategic Plan with the objectives of: (1) improving the resilience and reliability of water supply and wastewater services; and (2) improving service delivery in Barbados by upgrading aging infrastructure, reducing non-revenue water, and enhancing operational efficiency.
- (iv) Cabinet approval of the Roadmap regarding the stakeholder consultation process of the National Ocean Policy (NOP). This will ensure interministerial ownership to deliver a final document for the NOP, including clear responsibilities, gender mainstreaming and broad engagement of public, and private parties.

**(c) Strengthening resiliency through fiscal and debt management reforms**

**A. Improve the tax and debt management framework for sovereign resiliency**

- (i) Enactment by the Parliament of Barbados of the Income Tax (Amendment) Act, 2024 directed to increase fiscal resiliency and space by: (1) guaranteeing that Multinational Enterprises (MNE) with consolidated revenue above €750M, will be subject to an effective minimum tax rate of 15% in each jurisdiction in which the MNE operates; and (2) aligning with international best practices in relation to OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (“BEPS Inclusive Framework”).
- (ii) Cabinet approval of: (1) a Medium-term debt strategy (MTDS) (FY 2024-2025 to 2026-2027), which incorporates: stress testing to interest rate risks and reference to new climate-related sovereign debt instruments (frameworks, Sustainability Linked Bonds (SLBs), debt conversions, etc.); and (2) a Debt Sustainability Analysis (DSA) considering Climate Change (CC) risks assessments.

- (iii) Cabinet approval of the establishment of a Debt Management Committee, in charge of strategy and coordination matters related to the macro-fiscal environment and global indebtedness decisions, and which is composed by the Debt Management Unit (DMU), Central Bank, and Ministry of Finance, Economic Affairs and Investment (MFEI).
- (iv) Approval by the MFEI of an action plan to strengthen the DMU through the following actions: (1) a human resource strategy, identifying capabilities gap and developing a training plan; (2) an investor relation strategy, implementing key areas of improvement in communication instruments (webpage, information disclosed, periodicity of meetings, and others); and (3) the development of a sovereign debt statistical report template to include information on main risk measures of the debt portfolio.

**B. Develop new financial instrument for climate change resilience**

- (i) Approval by the MFEI of a disaster risk financing assessment (DRFA) directed to: (1) identify the main natural disasters risks and their fiscal implications; (2) analyze the use of financial instruments to retain or transfer these risks; and (3) propose capacity building strengthening actions.
- (ii) Approval by the MFEI of a strategy to implement a DFCT including, among others: (1) adequate timing and main workflows; (2) expected prices and benefits; (3) methodology to compute savings from the transaction; (4) a priority order for the use of the savings and a list of eligible expenditures; and (5) risk mitigation strategies for natural disasters or pandemics.
- (iii) Approval by the MFEI of a Sustainability Linked Loan Framework for Water Sector and Reporting Guidelines, including: (1) Key Performance Indicators (KPIs) related to the water sector; (2) Sustainability Performance Targets (SPTs); (3) associated penalties; and (4) reporting mechanisms.

**SECTION 2.04. Payments under the Guarantee.** The Counter-Guarantor irrevocably authorizes the Bank to make any Guaranteed Payment in favor of the Guaranteed Creditors in accordance with the provisions of the Guarantee Contract upon receipt of a payment demand. The Bank may rely on the information contained in such payment demand (including the amounts) to make any Guaranteed Payment and the Bank will not be required to make any investigation as to whether the information contained in it is correct.

**SECTION 2.05. Guarantee Fee.** During the life of the Guarantee, the Counter-Guarantor will pay the Bank a guarantee fee (the “Guarantee Fee”) that will be determined based on the Maximum Available Guaranteed Amount. The Guarantee Fee will be calculated by the Bank using the variable lending spread applicable to sovereign guaranteed loans granted by the Bank financed with resources from the Bank’s ordinary capital. The Guarantee Fee shall be paid by the Counter-Guarantor semi-annually, and the first payment shall be due on the expiration date of the six-month (6-month) period following the date of entry into force of the Guarantee Contract. If the



expiration date of the period for the first Guarantee Fee payment does not fall on the fifteenth (15th) day of the month, the first payment shall be made on the fifteenth (15th) day of the month immediately preceding the expiration date of such period (this date individually, "Payment Date" and, together with the dates that occur successively at the expiration of a six-month (6-month) period, "Payment Dates"). The Guarantee Fee will be calculated based on the exact number of days of each semester period.

**SECTION 2.06. Stand-by Fee.** The Counter-Guarantor shall pay the Bank a stand-by fee (the "Stand-by Fee") that will be calculated as a daily percentage of the Non-Callable Guaranteed Amount, if any, at a percentage to be set by the Bank periodically during its review of financial charges applicable to sovereign guaranteed loans granted by the Bank financed with resources from the Bank's ordinary capital. The Stand-by Fee shall not exceed zero point seventy-five percent (0.75%) per annum and will begin to accrue from the date of signature of the Guarantee Contract until the date in which the Guaranteed Amount is one hundred percent (100%) callable. The Stand-by Fee will be paid semi-annually on each Payment Date and will be calculated based on the exact number of days of each semester period.

**SECTION 2.07. Early Disbursement Events of the Guarantee.** (a) The Bank may make an early disbursement of the Guarantee through a deposit in an escrow account (the "Escrow Payment"), nominated by and for the benefit of the Guaranteed Creditors, if any of the events described in Article 5.01 of the General Conditions occurs (each of them, in addition to being an accelerated maturity event under the General Conditions of this Contract, an "Early Disbursement Event of the Guarantee").

(b) In the event that the Bank makes an Escrow Payment equivalent to the Maximum Available Guaranteed Amount, the Bank's Guarantee will be canceled once the Guaranteed Creditors have been notified, in accordance with the provisions set forth in the Guarantee Contract. This deposit will constitute a Guaranteed Payment for the purposes of the provisions of Section 3.01 of this Contract. Upon the occurrence of an Early Disbursement Event of the Guarantee, the right of the Bank to declare that the Outstanding Balance or a portion thereof is immediately due and payable in accordance with Article 5.01 of the General Conditions, will be exercisable by the Bank in accordance with Section 3.01 of these Special Conditions.

**SECTION 2.08. Expenditures excluded from use of proceeds of the Guaranteed Instrument.** The proceeds of the Guaranteed Instrument may not be used to finance:

- (a) Expenditures in goods included in the groups or sub-groups of the United Nations Standard International Trade Classification (SITC) list, as indicated in Section 2.09 of these Special Conditions;
- (b) Expenditures in goods acquired under contracts for an amount less than the equivalent of ten thousand dollars (US\$10,000);
- (c) Expenditures in goods financed in foreign exchange, under medium or long terms;
- (d) Expenditures in luxury goods;
- (e) Expenditures in weapons;

- (f) Expenditures in goods for the use of the armed forces; and
- (g) Expenditures in goods from countries that are not members of the Bank.

**SECTION 2.09. Negative list.** The goods referred to in paragraph (i) of Section 2.08 hereinabove are included in the following groups and sub-groups of the United Nations SITC<sup>1</sup>, including any amendment that may be made to these groups or sub-groups and of which the Bank shall notify the Counter-Guarantor:

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

**SECTION 2.10. Cancellation of the Guarantee.** If the Counter-Guarantor requests the Bank to partially or entirely cancel the Guarantee, such cancellation will be subject to the Bank's ability to perform the cancellation in accordance with the terms and conditions of the Guarantee Contract. In this case, the Bank will pass on to the Counter-Guarantor any reasonable costs incurred to cancel the Guarantee.

### **CHAPTER III** **Reimbursement of Claim**

**SECTION 3.01. Reimbursement of Claim.** (a) The Counter-Guarantor undertakes unconditionally and irrevocably to reimburse the Bank for any and all Guaranteed Payments immediately, within a period of not more than one hundred and eighty (180) days, unless otherwise agreed to between the Parties as established in (b) below. For purposes of this Contract, "Outstanding Balance" means the total outstanding amount of Guaranteed Payment(s) that have not yet been reimbursed to the Bank by the Counter-Guarantor.

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

(b) The Bank, at its sole discretion, and through written agreement with the Counter-Guarantor, may agree to an Amortization Schedule different than the one specified in (a) above. Any agreed Amortization Schedule may not exceed the Original WAL nor the term set forth for the Final Amortization Date and will be subject to other applicable parameters established under the Bank's guarantee policy, the Flexible Financing Facility, and Chapter III and V of the General Conditions.

(c) As from the date of each Guaranteed Payment, the Counter-Guarantor shall pay the Bank interest on the daily Outstanding Balance, at a rate determined pursuant to the provisions of Section 3.02 of these Special Conditions.

(d) Any Guaranteed Payment shall be treated, for all purposes, as a loan from the Bank to the Counter-Guarantor. Any delay by the Counter-Guarantor in the payment of the amounts that it owes to the Bank for: (i) Outstanding Balance; (ii) interests; (iii) transactional costs and fees described in Sections 2.05 and 2.06 of these Special Conditions; or (iv) payments required under any other provision of this Contract, may constitute a cause for suspension of disbursements in any other loan contract entered into between the Counter-Guarantor and the Bank as well as early maturity if said breach is not cured within a period of sixty (60) days. Any and all other rights and prerogatives that the Bank has under said contracts may also apply.

**SECTION 3.02. Interest.** (a) The Counter-Guarantor shall pay interest on the daily Outstanding Balance at a rate determined pursuant to the provisions of Article 3.02 of the General Conditions.

(b) Interest shall be payable by the Counter-Guarantor to the Bank semiannually. The first interest payment shall be due on the expiration date of the six-month (6-month) period following the effective date of the first Guaranteed Payment. If the expiration date of the period for the first interest payment does not fall on the fifteenth (15th) day of the month, the first interest payment shall be made on the fifteenth (15th) day of the month immediately preceding the expiration date of such period.

**SECTION 3.03. Conversion.** The Counter-Guarantor may request Currency Conversions, Interest Rate Conversions, Commodity Conversions, and/or Catastrophe Protection Conversion from the Bank at any time during the term of the Contract as from the date of a Guaranteed Payment, if any, in accordance with Chapter IV of the General Conditions.

## CHAPTER IV

### Representations, Warranties, and Indemnity

**SECTION 4.01. Representations and Warranties.** The Counter-Guarantor represents and warrants to the Bank that:

- (a) The Guaranteed Instrument, this Contract, and all related transaction documents comply with the requirements of the laws of Barbados and do not violate any law, agreement, treaty, or regulation of Barbados;

- (b) All the Counter-Guarantor's information disclosed in connection with the Guaranteed Instrument and in the offering memorandum, if the Guaranteed Instrument is a bond, is true, correct, and complete, and there are no other facts the omission of which would make such information misleading;
- (c) The Counter-Guarantor is duly authorized to enter into this Contract, and has obtained all the authorizations necessary for the execution and delivery of, and performance of this Contract, which complies with all the requirements of the laws of Barbados, and the obligations and commitments of the Counter-Guarantor derived from this Contract are valid and enforceable against the Counter-Guarantor in accordance with its terms; and
- (d) Notwithstanding anything to the contrary in the preceding paragraphs, the Counter-Guarantor accepts and agrees that the Counter-Guarantor's obligations under this Contract shall not be affected by the Contract or any of the Counter-Guarantor's or any other parties' obligations herein or related to this Contract being held invalid, illegal or irregular.

**SECTION 4.02. Indemnity.** In addition to the reimbursement obligations established in this Contract, the Counter-Guarantor undertakes to indemnify and safeguard the Bank, related entities, and their respective officers, directors, advisors, and other representatives (each and every one of these, referred to as the "Indemnified Parties"), for and with respect to any claim, administrative, judicial, arbitration or regulatory process, investigation, claim and/or audit (any of these referred to as a "Legal Process") in which they may be involved, directly or indirectly, and for any obligation, loss, damage, reasonable costs or expenses that they may incur or suffer, directly or indirectly, in relation to, or as a consequence of: (i) the issuing of the Guarantee; (ii) the signing of the Guarantee Contract; or (iii) the execution of the transaction documents. Likewise, the Counter-Guarantor will reimburse the Indemnified Parties for any damages, reasonable expenses, and costs (including, without limitation, the reasonable fees and costs of external legal counsel) as incurred, in relation to or as a result of any of the grounds for compensation described above, including, without limitation, the reasonable costs associated with the participation of any Indemnified Party in a Legal Process, and/or the investigation, preparation of a response, and presentation and development of a defense, with respect to any Legal Process. This indemnity excludes loss resulting from the Bank's fraud, gross negligence, or willful misconduct.

## **CHAPTER V**

### **Execution of the Program**

**SECTION 5.01. Executing Agency.** The Parties agree that the execution of the Program shall be carried out by the Counter-Guarantor, through its Ministry of Finance, Economic Affairs and Investment, which for the purposes of this Contract shall be referred to, without distinction, as either the "Counter-Guarantor" or the "Executing Agency".

**SECTION 5.02. Policy Letter.** The Counter-Guarantor and the Bank agree that the substantive contents of the Policy Letter dated June 13, 2024, from the Counter-Guarantor to the Bank, that describes the objectives, policies, and actions directed toward the achievement of the

objectives of the Program and in which the Counter-Guarantor declares its commitment to the execution of the Program, are an integral part of the Program for the purposes established in Section 5.05 of these Special Conditions.

**SECTION 5.03. Periodic meetings.** (a) The Counter-Guarantor and the Bank shall meet, at the request of either party and on the date and place agreed upon, to exchange views on: (i) the general progress achieved in the implementation of the Program, and the compliance with the obligations set forth in these Special Conditions, in particular the Water Resilience Commitments; and (ii) the consistency of the Counter-Guarantor's macroeconomic framework with the Program. Prior to any such meeting, the Counter-Guarantor shall submit to the Bank, for its review and comments, a report in such detail as the Bank shall reasonably request on the fulfillment of the obligations referred to in subparagraphs (a)(i) and (ii) of this Section.

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

**SECTION 5.04. Ex-Post evaluation.** The Counter-Guarantor agrees to cooperate, directly or through the Executing Agency, in the evaluation of the Program to be carried out by the Bank after the Program's execution, with the purpose of identifying to what extent the objectives of the Program have been reached, and to provide to the Bank all the information, data, and documentation that the Bank may request to carry out said evaluation.

**SECTION 5.05. Modification of legal provisions and basic regulations.** The parties agree that, if changes are made to the macroeconomic and sector policies indicated in the Policy Letter referred to in Section 5.02 of these Special Conditions, or in the legislation or basic regulations relating to the Executing Agency, that the Bank considers could substantially affect the Program, the Bank shall have the right to request of the Counter-Guarantor all necessary and reasonable information, with the purpose of determining whether said changes may have a material adverse effect in the execution of the Program. The Bank, after receiving and analyzing the information provided by the Counter-Guarantor, and after consultation with the Counter-Guarantor, may take the measures it deems necessary in accordance with the provisions of this Contract.

## **CHAPTER VI** **Records, Inspections, and Reports**

**SECTION 6.01. Records, inspections, and reports.** The Counter-Guarantor agrees to maintain accounting records, and an adequate internal control system, in accordance with Article 6.01 of the General Conditions.

**SECTION 6.02. Audits.** In accordance with Article 6.01 of the General Conditions of this Contract, the Counter-Guarantor shall submit to the Bank, upon request of the Bank, and within ninety (90) days following such request, an audited financial report of the use of the resources of

the Guaranteed Instrument. The report will be duly certified by a firm of public independent accountants acceptable to the Bank, and in accordance with terms of reference previously approved by the Bank.

**CHAPTER VII**  
**Miscellaneous Provisions**

**SECTION 7.01.**     **Entry into Effect of the Contract.** This Contract shall enter into effect on the last date of signature by the Parties.

**SECTION 7.02.**     **Communications and Notices.** Any notice, request, or communication from one party to another by virtue of this Contract shall be made in writing and shall be considered to have been made when the relevant document is delivered to the addressee at the respective address given below, or by electronic means under such terms and conditions as the Bank establishes and communicates to the Counter-Guarantor, unless the parties agree otherwise in writing:

For the Counter-Guarantor:

Mailing address:

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

Email address: [Barbadosloans@barbados.gov.bb](mailto:Barbadosloans@barbados.gov.bb)

For the Bank:

Mailing address:

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


Facsimile: (202) 623-3096

**SECTION 7.03.**     **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 IX of the General Conditions.

IN WITNESS WHEREOF, the Counter-Guarantor and the Bank, each acting through its authorized representative, have signed this Contract in Bridgetown, Barbados, on the date specified below.


GOVERNMENT OF BARBADOS

INTER-AMERICAN DEVELOPMENT  
BANK



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The Hon. Mia Amor Mottley, S.C., M.P.  
Prime Minister  
Minister of Finance, Economic Affairs  
and Investment



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Carina Cockburn  
Representative of the Bank in Barbados

Date: November 6, 2024

Date: November 5 2024

## PART TWO

### GENERAL CONDITIONS

#### CHAPTER I

##### Application of the General Conditions

**ARTICLE 1.01.** Application of the General Conditions. These General Conditions are uniformly applicable to sovereign counter-guarantee contracts entered into between the Bank and a member country in order to support policy-based programs, and accordingly the provisions hereof form an integral part of this Contract.

**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, 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, 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. For the purposes of the obligations contracted between the Parties, the definitions below are adopted. Any reference to the singular includes the plural and vice versa.

“Amortization Schedule” means the schedule(s) set forth in the Special Conditions for the payment of amortization installments of the Outstanding Balance or any modified schedule agreed to between the Parties or resulting from a Conversion.

“Approval Currency” means the currency in which the Bank approves the Guarantee, which may be Dollars or any Local Currency which the Bank can efficiently source, taking into account the Bank’s operational and risk management considerations.

“Bank” shall have the meaning assigned to it in the Special Conditions.



“Bank's Cost of Funding” means a cost margin relative to a SOFR or other Base Interest Rate, applicable to the Loan, to be determined periodically by the Bank based on the average cost of its funding, corresponding to sovereign guaranteed loans, and expressed in terms of an annual percentage.

“Bank Group” means the Bank, the Inter-American Investment Corporation and the Multilateral Investment Fund.

“Base Interest Rate” means the rate determined by the Bank at the time of a Conversion execution, (other than a Commodity Conversion or a Catastrophe Protection Conversion), based on: (i) the currency requested by the Counter-Guarantor; (ii) the type of interest rate requested by the Counter-Guarantor; (iii) the Amortization Schedule; (iv) the existing market conditions; and (v) one of the following, among others: (1) SOFR or other base interest rate applicable to the Loan plus a margin reflecting the Bank’s estimated cost of funding in Dollars at the time of Conversion; or (2) the Bank’s actual cost of funding used as a basis for the Conversion; (3) the relevant interest rate index plus a margin reflecting the Bank’s estimated cost of funding in the requested currency at the time of Conversion; or (4) with respect to Outstanding Balances that have been subject to a previous Conversion (other than a Commodity Conversion or a Catastrophe Protection Conversion), the interest rate in effect for such Outstanding Balances.

“Board” means the Board of Executive Directors of the Bank.

“Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York or, in case of a Conversion, in the cities listed in the Conversion Request Letter or the Conversion Notification Letter, as the case may be.

“Calculation Agent” means the Bank, except term unless otherwise specified in writing by the Bank. 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.

“Cash Settlement Amount”, with respect to Commodity Conversions, has the meaning assigned to it in Articles 4.11(b), (c), and (d) of these General Conditions, and with respect to Catastrophe Protection Conversions, means an amount in Dollars owed by the Bank to the Counter-Guarantor upon the determination of the occurrence of a Cash Settlement Event, to be calculated by the Event Calculation Agent in accordance with the Cash Settlement Event Determination Instructions.

“Cash Settlement Event” means an Event that, upon occurrence, causes a Cash Settlement Amount to be due by the Bank to the Counter-Guarantor under a Catastrophe Protection Conversion, as determined by the Event Calculation Agent in accordance with the Cash Settlement Event Determination Instructions.

“Cash Settlement Event Determination Instructions” means a detailed, reproducible, and transparent set of conditions and instructions included in a Catastrophe Conversion Notification Letter that: (i) specifies how the Event Calculation Agent will determine whether the occurrence of an Event constitutes a Cash Settlement Event and, in that case, how the Cash Settlement Amount will be calculated; (ii) provides the Bank with the necessary parameters to secure the protection in the market via a transaction in the financial markets (such as the probability of attachment, expected loss, and exhaustion probability); and (iii) specifies other information in relation to the procedures and roles of each of the Parties in the determination of the occurrence of a Cash Settlement Event and the calculation of a Cash Settlement Amount, if any.

“Catastrophe” means a serious disruption of the functioning of a society, a community, or a project that occurs as a result of a hazard and causes widespread or serious human, material, economic or environmental losses.

“Catastrophe Conversion Notification Letter” means a communication by which the Bank informs the Counter-Guarantor of the terms and conditions of the Catastrophe Protection Conversion including, among others, the identification of one or more Events protected against and the Cash Settlement Event Determination Instructions.

“Catastrophe Protection Conversion” means any agreement entered into between the Bank and the Counter-Guarantor, formalized on the Catastrophe Protection Conversion Date by means of a Catastrophe Conversion Notification Letter, where the Bank undertakes to pay to the Counter-Guarantor a Cash Settlement Amount upon the occurrence of a Cash Settlement Event, subject to the fulfillment of the conditions specified in the Catastrophe Conversion Notification Letter and the Cash Settlement Event Determination Instructions.

“Catastrophe Protection Conversion Date” means the effective date of a Catastrophe Protection Conversion set forth in the applicable Catastrophe Conversion Notification Letter.

“Catastrophe Protection Engagement Letter” means an agreement entered into between the Counter-Guarantor and the Bank, in the initial stages of the structuring of a Catastrophe Protection Conversion, whereby the Parties agree, among others to: (i) the main terms and conditions of the structuring of a potential Catastrophe Protection Conversion; and (ii) the pass-through to the Counter-Guarantor of all costs incurred by the Bank (including fees charged by any third party, such as the Modeling Agent, external legal counsel and distributors, among others) in relation to such potential Catastrophe Protection Conversion and its corresponding transaction in the financial markets.

“Commodity Call Option” means, with respect to all or part of a Required Outstanding Balance, a cash-settled call option exercisable by the Counter-Guarantor as contemplated in Article 4.11 of these General Conditions.

“Commodity Conversion” means, with respect to all or part of a Required Outstanding Balance, the entry into a Commodity Put Option or a Commodity Call Option pursuant to Article 4.01 of these General Conditions.

“Commodity Conversion Date” means the date of entry into a Commodity Conversion. This date shall be set forth in the Conversion Notification Letter.

“Commodity Conversion Maturity Date” means the Business Day on which the Commodity Option matures. This date shall be set forth in the Conversion Notification Letter.

“Commodity Conversion Settlement Date” means, with respect to a Commodity Conversion, the date on which the Cash Settlement Amount thereof is required to be paid, which shall be that date occurring five (5) Business Days following a Commodity Conversion Maturity Date unless otherwise agreed to by the Parties and specified in the Conversion Notification Letter.

“Commodity Option” shall have the meaning assigned to it in Article 4.11(a) of these General Conditions.

“Commodity Put Option” means, with respect to all or part of a Required Outstanding Balance, a cash-settled put option exercisable by the Counter-Guarantor as contemplated in Article 4.11 of these General Conditions.

“Contract” means this counter-guarantee contract.

“Conversion” means a modification of the terms of all, or any portion of the Outstanding Balance as requested by the Counter-Guarantor and accepted by the Bank, under the terms of this Contract, which may be: (i) a Currency Conversion; (ii) an Interest Rate Conversion; (iii) a Commodity Conversion; or (iv) a Catastrophe Protection Conversion.

“Conversion Date” means the Currency Conversion Date, the Interest Rate Conversion Date, the Commodity Conversion Date, or the Catastrophe Protection Conversion Date, as the case may be.

“Conversion Notification Letter” means the communication by which the Bank informs the Counter-Guarantor of the financial terms and conditions upon which a Conversion has been effected, in accordance with the Conversion Request Letter sent by the Counter-Guarantor; provided that, for a Catastrophe Protection Conversion, “Conversion Notification Letter” means a Catastrophe Conversion Notification Letter.

“Conversion Period” means, (i) with respect to any Conversion (other than a Commodity Conversion or Catastrophe Protection 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; and (ii) with respect to any Commodity Conversion or Catastrophe Protection Conversion, the period from the date on which a Conversion enters into effect through the date set forth in the applicable Conversion Notification Letter or the Catastrophe Conversion Notification Letter.

“Conversion Request Letter” means an irrevocable communication of the Counter-Guarantor to the Bank requesting a Conversion, pursuant to Article 4.01 of these General Conditions.

“Converted Currency” means any Local Currency or Non-Borrowing Member Country Currency in which all or part of the Outstanding Balance is denominated after a Currency Conversion has been effected.

“Counter-Guarantor” shall have the meaning assigned to it in the Special Conditions.

“Currency Conversion” means with respect to all or part of an Outstanding Balance, a change in the currency of denomination to a Local Currency or a Non-Borrowing Member Country Currency which the Bank can efficiently source, taking into account the Bank’s operational and risk management considerations.

“Currency Conversion Date” means, in relation to Currency Conversions of Outstanding Balances, the date on which the debt is redenominated. These dates shall be set forth in the Conversion Notification Letter.

“Derivative Contract” means any contract entered into between the Bank and the Counter-Guarantor or the Bank to document and/or confirm one or more derivative transactions agreed between the Bank and the Counter-Guarantor, or the Bank and its subsequent amendments. All attachments and other supplemental agreements to a Derivative Contract shall form an integral part of such Derivative Contract.

“Dollar” means the legal tender of the United States of America.

“Event” means a phenomenon or occurrence identified in the Catastrophe Conversion Notification Letter that has the potential to cause a Catastrophe, the risk of which the Counter-Guarantor is requesting the protection against, and for which the Bank can execute a Catastrophe Protection Conversion subject to market availability and to the Bank’s operational and risk management considerations.

“Event Calculation Agent” means a third party engaged by the Bank who, based on the Reporting Agent’s data concerning an Event, and in accordance with the Cash Settlement Event Determination Instructions, determines whether the occurrence of an Event constitutes a Cash Settlement Event and, in that case, calculates the related Cash Settlement Amount.

“Event Calculation Notice” means a communication submitted by the Counter-Guarantor to the Event Calculation Agent, with a copy to the Bank, requesting (i) the determination of whether a Cash Settlement Event has occurred; and (ii) if a Cash Settlement Event is determined to have occurred, the calculation of the corresponding Cash Settlement Amount.

“Event Report” means a report released by the Event Calculation Agent after receipt of an Event Calculation Notice, determining whether the occurrence of an Event constitutes a Cash Settlement Event and specifying the corresponding Cash Settlement Amount due, if any.

“Execution Period” means the period in Business Days during which the Bank may effect a Conversion as determined by the Counter-Guarantor in the Conversion Request Letter. The Execution Period starts from the day on which the Conversion Request Letter is received by the Bank.

“Executing Agency/Agencies” means the entity/entities responsible for executing all or part of the Program.

“Final Amortization Date” shall have the meaning assigned to it in the Special Conditions.

“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.

“Full-Term Catastrophe Protection Conversion” means a Catastrophe Protection Conversion for which the Conversion Period ends on the Final Amortization Date.

“Full-Term Commodity Conversion” means a Commodity Conversion whose Commodity Conversion Maturity Date coincides with the Final Amortization Date.

“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 4.03 of these General Conditions.

“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 4.04 of these General Conditions.

“General Conditions” means the entirety of articles which comprise the second part of this Contract and reflect the basic policies of the Bank uniformly applicable to its loan and guarantee operations.

“Guarantee” shall have the meaning assigned to it in the Special Conditions.

“Guarantee Fee” shall have the meaning assigned to it in the Special Conditions.

“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.

“Interest Rate Cap” means the establishment of an upper limit for a variable interest rate.

“Interest Rate Collar” means the establishment of an upper and a lower limit for a variable interest rate.

“Interest Rate Conversion” means: (i) a change of interest rate type with respect to all or part of the Outstanding Balance; or (ii) the establishment of an Interest Rate Cap or an Interest Rate Collar with respect to all or part of the Outstanding Balance; or (iii) any other hedging option that affects the interest rate applicable to all or part of the Outstanding Balance.

“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.

“Local Currency” means a currency that is legal tender in any of the Bank’s borrowing members.

“Modeling Agent” means an independent third party engaged by the Bank to calculate the relevant pricing metrics in a Catastrophe Protection Conversion, including but not limited to the probability of attachment, expected loss, and exhaustion probability as defined in the Cash Settlement Event Determination Instructions.

“Non-Borrowing Member Country Currency” means a currency that is legal tender in any of the Bank’s non-borrowing member countries.

“Notional Quantity” means, with respect to a Commodity Conversion, the number of units of the underlying commodity.

“Option Type” means the type of Commodity Option for which the Bank could, subject to market availability and to the Bank’s operational and risk management considerations, execute a Commodity Conversion, including but not limited to, European, fixed-strike arithmetic Asian and binary options.

“Original WAL” shall have the meaning assigned to in the Special Conditions.

“Outstanding Balance” shall have the meaning assigned to it in the Special Conditions.

“Partial-Term Catastrophe Protection Conversion” means a Catastrophe Protection Conversion for which the Conversion Period ends prior to the Final Amortization Date.

“Partial-Term Commodity Conversion” means a Commodity Conversion whose Commodity Conversion Maturity Date occurs prior to the Final Amortization Date.

“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 4.03 of these General Conditions.

“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 4.04 of these General Conditions.

“Parties” means the Bank and the Counter-Guarantor and each of them, indistinctively, a Party.

“Payment Valuation Date” means a date that is determined based on a number of Business Days prior to any amortization or interest payment, as specified in a Conversion Notification Letter.

“Program” means the policy reform program identified in the Special Conditions.

“Prohibited Practices” means the act(s) defined in Article 5.01 of these General Conditions.

“Protection Amount” means the maximum amount of the aggregate Cash Settlement Amounts under a Catastrophe Protection Conversion, in Dollars, that would be due by the Bank upon the determination of the occurrence of one or more Cash Settlement Events.

“Quarter” means each of the following three-month (3-month) periods of the calendar year: the period beginning on January 1st and ending on March 31st; the period beginning on April 1st and ending on June 30th; the period beginning on July 1st and ending on September 30th and the period beginning on October 1st and ending on December 31st.

“Reporting Agent” means an independent third-party that provides the relevant data and information for a Cash Settlement Event calculation under a Catastrophe Protection Conversion in accordance with the Cash Settlement Event Determination Instructions.

“Required Outstanding Balance” has the meaning assigned to it in Article 4.02(f) of these General Conditions.

“Settlement Currency” means the currency used to settle principal and interest payments. For fully deliverable currencies, the Settlement Currency is the Converted Currency. For non-deliverable currencies, the Settlement Currency is the Dollar.

“SOFR” means with respect to any day the secured overnight financing rate published for such day by the SOFR Administrator on the SOFR Administrator's website, currently at <http://www.newyorkfed.org>, or any successor source.

“SOFR Administrator” means the Federal Reserve Bank of New York as administrator of SOFR, or any successor administrator of SOFR.

“SOFR-Based Interest Rate” means the sum of the SOFR Interest Rate and the Bank’s Cost of Funding.

“SOFR Interest Rate” means, for any calculation period, the daily compounded SOFR determined by the Calculation Agent in accordance with the following formula):

$$\left[ \left( \frac{\text{SOFR Index}_{\text{End}}}{\text{SOFR Index}_{\text{Start}}} \right) - 1 \right] \times 360/d_c$$

Where:

- i) “d<sub>c</sub>” means the number of days in the relevant calculation period.
- ii) “SOFR Index<sub>Start</sub>” means the SOFR Index value on the first date of the relevant calculation period.
- iii) “SOFR Index<sub>End</sub>” means the SOFR Index value on the day after the end of the relevant calculation period.
- iv) “SOFR Index” means, with respect to (1) any U.S. Government Securities Business Day, the value published by the SOFR Administrator on its website on or about 3:00 p.m. (New York Time) on such U.S. Government Securities Business Day, or any corrected value published by the SOFR Administrator on its website on the same U.S. Government Securities Business Day and (2) any non-U.S. Government Securities Business Day, the Projected SOFR Index.

If a SOFR Index value is not publicly available by 5:00 p.m. (New York Time) on such U.S. Government Securities Business Day, then the Calculation Agent will use the Projected SOFR Index or if such value is not publicly available for two or more consecutive U.S. Government Securities Business Days, such other value determined by the Bank in accordance with Article 3.07(e) of these General Conditions.

- v) “Projected SOFR Index” means, with respect to any non-U.S. Government Securities Business Day, the SOFR Index calculated by the Bank using a methodology substantially similar to the SOFR Administrator based on the last published SOFR Index and the last published SOFR rate.
- vi) “U.S. Government Securities Business Day” means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day of trading in U.S. government securities.

“Special Conditions” means the entirety of the provisions which comprise the first part of this Contract and contain the particular terms of the operation.

“Specified Price” means the price of the underlying commodity according to the Underlying Commodity Index on the Commodity Conversion Maturity Date except that,



for certain Option Types, such price will be calculated on the basis of a formula to be determined in the Conversion Notification Letter.

“Stand-by Fee” shall have the meaning assigned to it in the Special Conditions.

“Strike Price” means, with respect to a Commodity Conversion, the fixed price at which (i) the owner of a Commodity Call Option is entitled to purchase, or (ii) the owner of a Commodity Put Option is entitled to sell, the underlying commodity (on a cash-settled basis).

“Underlying Commodity Index” means a published index that is a measure of the price of the underlying commodity that is the subject of a Commodity Option. The source and calculation of the Underlying Commodity Index will be set forth in the Conversion Notification Letter. If the Underlying Commodity Index relating to a commodity is (i) not calculated and announced by the sponsor thereof in effect on the Commodity Conversion Date but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Underlying Commodity Index, then in each case that index will be the Underlying Commodity Index.

“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.

“WAL” shall have the meaning assigned to it in the Special Conditions.

### CHAPTER III

#### **Amortization, Interest, Fees, Inspection and Supervision, and Prepayments**

**ARTICLE 3.01.** **Dates of Payment of Amortization, Interest Fees, and Other Costs**. The Outstanding Balance will be amortized in accordance with the Amortization Schedule. Interest and amortization installments will be paid on the fifteenth (15th) day of the respective month, as set forth in the Special Conditions or in a Conversion Notification Letter, as the case may be. The Guarantee Fee shall be paid on the fifteenth (15th) day of the month, as set forth in the Special Conditions. The Stand-by Fee shall be paid on the same dates as the Guarantee Fee.

**ARTICLE 3.02.** **Interest**. (a) **Interest on Outstanding Balance that has not been subject to Conversion**. To the extent that the Outstanding Balance has not been subject to a Conversion, the Counter-Guarantor shall pay interest on the daily Outstanding Balances at the applicable SOFR-Based Interest Rate plus the applicable lending spread for the Bank’s ordinary capital loans. For each interest period, the Borrower shall pay an estimated interest amount calculated based on a formula determined by the Bank, which formula, unless otherwise specified by the Bank, will incorporate the published SOFR Index for some portion of the relevant interest period and the last published SOFR rate as a proxy for the remainder of the relevant interest period. A corresponding

adjustment to the interest amount payable by the Borrower shall be made for the subsequent interest period in a manner determined by the Bank, or in the case of the last interest period the corresponding adjustment shall be made immediately thereafter.

(b) **Interest on Outstanding Balances that have been subject to Conversion.** If the Outstanding Balances have been subject to a Conversion, the Counter-Guarantor shall pay interest on the Outstanding Balances converted under such Conversion at: (i) the Base Interest Rate determined by the Bank using the methodology and conventions determined by the Bank, including any necessary conforming changes in interest period, interest rate determination date or other technical, administrative or operational changes that the Bank decides are appropriate to effectuate such Conversion; plus (ii) the applicable lending spread for the Bank's ordinary capital loans.

(c) **Interest on Outstanding 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 Counter-Guarantor 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 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 Counter-Guarantor 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 SOFR Interest Rate, or any other applicable Base Interest Rate, and including if the Bank determines that it is no longer able, or it is no longer commercially acceptable for the Bank, to continue to use the SOFR Interest Rate or any other applicable Base Interest Rate, for purposes of its asset and liability management. For purposes of obtaining and maintaining such link under such circumstances, the Parties expressly agree that the Calculation Agent, seeking to reflect the Bank's corresponding funding, shall determine: (a) the occurrence of such changes; and (b) the alternate base rate applicable to determine the appropriate amount to be paid by the Counter-Guarantor using the methodology and conventions determined by the Bank, including any applicable spread adjustments and any necessary conforming changes in interest period, interest rate determination date or other technical, administrative or operational changes that the Bank considers are appropriate. The Calculation Agent shall provide no less than sixty (60) days prior notice to the Counter-Guarantor of the applicable alternate base interest rate, with any necessary conforming changes. The alternate base rate and conforming changes shall become effective on the expiration of such notice period.

**ARTICLE 3.03. Computation of Interest.** The interest and fees shall be calculated according to the exact number of days in the respective interest period.

**ARTICLE 3.04. Resources for Inspection and Supervision.** The Counter-Guarantor shall not be required to cover the Bank's expenses for general inspection and supervision, unless the Bank establishes otherwise prior to the expiration date of the Guarantee as a consequence of its periodic review of financial charges for ordinary capital loans, and notifies the Counter-Guarantor accordingly. In no case may the Bank charge for a specific semester more than the result of applying one percent (1%) of the Guaranteed Amount divided by the number of semesters comprising the life of the Guarantee.

**ARTICLE 3.05. Currency of payment for amortization, interest, and fee.** The payments for interest and fees shall be made in Dollars, unless a Currency Conversion has been effected, in which case the provisions of Article 4.05 of these General Conditions shall apply. The fees and inspection and supervision fee shall always be paid in the Approval Currency.

**ARTICLE 3.06. Prepayments.** (a) **Prepayment of Outstanding Balances denominated in Dollars with SOFR-Based Interest Rate.** The Counter-Guarantor may prepay all or part of any Outstanding Balances in Dollars subject to a SOFR-Based Interest Rate on any interest payment date, provided that it delivers to the Bank a written irrevocable request at least thirty (30) days in advance. Any such prepayment shall be applied as set forth in Article 3.07 of these General Conditions. In the event that the prepayment does not cover the entire Outstanding Balances, the prepayment shall be applied proportionately to the remaining amortization installments, if any.

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

(c) **Prepayments of Amounts that have been Subject to Catastrophe Protection Conversion.** The prepayment of any amount subject to a Catastrophe Protection Conversion will be evaluated on a case-by-case basis, subject to the Bank's operational and risk management considerations.

(d) For purposes of paragraphs (a), (b), and (c) above, the following payments shall be considered as prepayments: payments resulting from all or a part of the Outstanding Balance being declared immediately due and payable, pursuant to the Special Conditions.

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

**ARTICLE 3.07. Application of Payments.** All payments shall be applied first to fees and interest due on the payment date, and if a balance exists, to the amortization of the Outstanding Balance.

**ARTICLE 3.08. 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 3.09. 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 Counter-Guarantor.

#### **CHAPTER IV** **Conversions**

**ARTICLE 4.01. Exercise of Conversion Options.** (a) The Counter-Guarantor may request a Currency Conversion, an Interest Rate Conversion, a Commodity Conversion, or a Catastrophe Protection 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 Counter-Guarantor for the respective Conversion. The Bank may provide the Counter-Guarantor with a form of Conversion Request Letter. For Catastrophe Protection Conversion, the Counter-Guarantor will be able to submit the Conversion Request Letter to the Bank at any time after (i) entering into a Catastrophe Protection Engagement Letter; and (ii) signing-off on the final form of the transaction documents of the transaction in the financial markets that, in the determination of the Bank, are relevant to the Catastrophe Protection Conversion.

(b) The Conversion Request Letter shall be signed by a duly authorized representative of the Counter-Guarantor, and shall contain at least the following information:

- (i) **For all Conversions:** (A) operation number; (B) amount subject to Conversion; (C) Conversion type (Currency Conversion, Interest Rate Conversion, Commodity Conversion, or Catastrophe Protection Conversion); (D) Execution Period; (E) account number where funds shall be deposited, if applicable; and (F) Interest Rate Calculation Convention.

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

Outstanding Balance; (G) the Catastrophe Protection Engagement Letter; (H) a specification of the bank account information where the Bank would transfer the Cash Settlement Amount, if any; (I) at the option of the Counter-Guarantor, the maximum amount of premium it is willing to pay to enter into a Catastrophe Protection Conversion given a certain Protection Amount, as contemplated in paragraph (f) below; (J) the Counter-Guarantor's sign-off to the final form of the transaction documents of the transaction in the financial markets that are relevant to the Catastrophe Protection Conversion, which must be attached to the Conversion Request Letter; and (K) other terms, conditions, or special instructions, if any, regarding the Catastrophe Protection Conversion request.

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

(d) Once the Bank has received a Conversion Request Letter, it will proceed to review it. If it finds it acceptable, it will effect the Conversion during the Execution Period pursuant to the terms of this Chapter V. Once the Conversion has been effected, the Bank will deliver a Conversion Notification Letter or Catastrophe Conversion Notification Letter, as applicable, to the Counter-Guarantor indicating the financial terms and conditions of the Conversion.

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

(f) With respect to Catastrophe Protection Conversions, the Counter-Guarantor may indicate in the Conversion Request Letter the maximum amount of premium it is willing to pay to enter into a Catastrophe Protection Conversion given a certain Protection Amount and risk metrics (such as the probability of attachment, expected loss, and exhaustion probability). If no limit is specified, the Bank may execute the related transaction in the financial markets at the prevailing premium market price. Alternatively, at a given Dollar premium amount and defined risk metrics (such as the probability of attachment, expected loss and exhaustion probability), the Counter-Guarantor may instruct the Bank to execute the related transaction in the financial markets. The resulting Protection Amount will reflect market conditions at the time of execution.

(g) If the Bank determines that the Conversion Request Letter does not comply with the requirements provided in this Contract, it shall so notify the Counter-Guarantor during the Execution Period. The Counter-Guarantor 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.

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

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

(j) Considering that the Execution Period of a Catastrophe Protection Conversion is longer than those for other Conversions, the Bank reserves the right to seek the Counter-Guarantor's written confirmation of the terms of the transaction in the financial markets regarding such Catastrophe Protection Conversion prior to its execution.

**ARTICLE 4.02. Conversion Requirements.** Any Conversion shall be subject to the following requirements, as applicable:

- (a) The feasibility of the Bank to execute any Conversion will depend on the ability of the Bank to source its funding or, if applicable, on the ability of the Bank to enter into any hedge on terms and conditions acceptable to the Bank in its sole discretion, in accordance with its policies, and will be subject to legal, operational and risk management considerations and prevailing market conditions.
- (b) The Bank will not execute Conversions on amounts that are less than the equivalent of three million Dollars (US\$3,000,000).
- (c) The number of Currency Conversions to Non-Borrowing Member Country Currencies may not exceed four (4) during the term of this Contract. This limit shall not apply to Currency Conversions to Local Currency.
- (d) The number of Interest Rate Conversions may not exceed four (4) during the term of this Contract.
- (e) There will be no limit to the number of Commodity Conversions or Catastrophe Protection Conversions that can be executed during the term of this Contract.
- (f) Each Commodity Conversion will only be executed by the Bank in relation to Outstanding Balances in accordance with the following formula (hereinafter, the "Required Outstanding Balance"):
  - (i) For Commodity Call Options, the Required Outstanding Balance will be the Notional Quantity \* (Z – Strike Price), where Z is the highest expected forward commodity price at the Commodity Conversion Maturity Date, for the relevant Option Type, as calculated by the Bank; and

- (ii) For Commodity Put Options, the Required Outstanding Balance will be the Notional Quantity \* (Strike Price – Y), where Y is the lowest expected forward commodity price at the Commodity Conversion Maturity Date, for the relevant Option Type, as calculated by the Bank.
- (g) Any modification to the Amortization Schedule requested by the Counter-Guarantor at the time of requesting a Currency Conversion shall be subject to the provisions of Article 4.04(b) of these General Conditions, and to Bank's operational and risk management considerations. Any modification to the Amortization Schedule requested by the Counter-Guarantor at the time of requesting an Interest Rate Conversion shall be subject to the provision of Article 4.04(b) of these General Conditions, and to Bank's operational and risk management considerations. In any case, the new Amortization Schedule shall not exceed the Original WAL nor the Final Amortization Date.
- (h) The Amortization Schedule defined in the Conversion Notification Letter, resulting from a Currency Conversion or Interest Rate Conversion, may not be subsequently modified during the Conversion Period, unless the Bank agrees otherwise.
- (i) Unless the Bank agrees otherwise, an Interest Rate Conversion with respect to amounts that have been subject to a previous Currency Conversion may only be effected: (i) on the entire Outstanding Balance associated with such Currency Conversion, and (ii) for a term equal to the remaining term of such Currency Conversion.

**ARTICLE 4.03. Partial or Full-Term Currency Conversion.** (a) The Counter-Guarantor 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, Counter-Guarantor the Outstanding Balance under the new Amortization Schedule, if requested, for the Conversion shall at no time exceed the Outstanding Balance under the original Amortization Schedule.

(c) In the case of a Partial Term Currency Conversion, the Counter-Guarantor 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 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 Counter-Guarantor, 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 Balance under the new Amortization Schedule shall at no time exceed the Outstanding 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 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 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 4.05 of these General Conditions.

(e) For purposes of paragraph (d) of this Article 4.03, the Outstanding Balance originally subject to a Currency Conversion will be automatically converted to Dollars on the expiration of the respective Partial Term Conversion, and shall be subject to the Interest Rate set forth in Article 3.02(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 Counter-Guarantor pursuant to paragraph (d) of this Article 4.03; or (iii) on the expiration date of the Partial Term Currency Conversion, the Counter-Guarantor fails to make the requested prepayment.

(f) If the Outstanding 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 Counter-Guarantor, of the amounts converted to Dollars and the applicable exchange rate determined by the Calculation Agent, based on prevailing market conditions.

(g) The Outstanding 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 Counter-Guarantor shall pay in full the Outstanding Balance of the converted amount in the Settlement Currency, pursuant to Article 4.05 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 Counter-Guarantor shall receive from the Bank, or alternatively, shall pay to the Bank, as applicable, the amounts corresponding to any gain or loss incurred by the Bank as a result of unwinding or reallocating its corresponding funding (or any related hedge) associated with the cancelation 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 Counter-Guarantor to the Bank.

**ARTICLE 4.04. Partial or Full-Term Interest Rate Conversion.** (a) The Counter-Guarantor may request a Full-Term Interest Rate Conversion or a Partial Term Interest Rate Conversion.

(b) A Full-Term Interest Rate Conversion and a Partial Term Interest Rate Conversion may be effected at any time until the Final Amortization Date. Notwithstanding the foregoing, the Outstanding Balance under the new Amortization Schedule requested for the Conversion, if requested, shall at no time exceed the Outstanding Balance under the original Amortization Schedule.

(c) In the case of Partial-Term Interest Rate Conversion of amounts denominated in Dollars, the Counter-Guarantor 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 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 Balance upon the expiration of the Partial-Term Interest Rate Conversion shall be the interest rate set forth in Article 3.02(a) of these General Conditions. Partial-Term Interest Rate Conversions of Outstanding Balance denominated in currencies other than the Dollar shall be subject to the requirements of Article 4.02(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 4.03(d) of these General Conditions.

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

**ARTICLE 4.05. Payment of Interest and Amortization Installments in the event of a Currency Conversion.** Pursuant to Article 4.03 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 4.06. Early Termination of a Conversion.** (a) The Counter-Guarantor can request in writing an early termination of a Conversion which will be subject to the Bank's ability to terminate its corresponding funding, related hedge, or related transaction in the financial markets, as applicable.

(b) In the case of early termination of Conversions other than Catastrophe Protection Conversions, the Counter-Guarantor shall receive from the Bank, or alternatively, shall pay to the

Bank, as applicable, any gain (including any payoff resulting from the early termination of a commodity hedge) or cost incurred by the Bank as a result of unwinding or reallocating its corresponding funding (or any related hedge), as determined by the Calculation Agent. In case of a cost, the Counter-Guarantor shall promptly pay the corresponding amount to the Bank. In case of a gain it will be credited first to any amount due and payable by the Counter-Guarantor to the Bank, such as any fees or premium payments.

(c) In the case of early termination of a Catastrophe Protection Conversion, the Counter-Guarantor shall pay to the Bank any costs incurred by the Bank as a result of such termination, as determined by the Bank. The Counter-Guarantor shall pay these early termination costs to the Bank in Dollars, as a lump-sum amount, promptly upon termination.

**ARTICLE 4.07. Transaction fees applicable to Conversions.** (a) The transaction fees applicable to Conversions, as well as other fees, as the case may be, shall be determined by the Bank from time to time. Each Conversion Notification Letter shall indicate, if applicable, the transactional fee the Counter-Guarantor shall be required to pay for the execution of the respective Conversion, which fee shall remain in effect throughout the Conversion Period of such Conversion.

(b) The transaction fee applicable to a Currency Conversion: (i) shall be expressed in the form of basis points per annum; (ii) shall accrue in the Converted Currency, from and including the Conversion Date, and on the Outstanding Balance of such Currency Conversion; and (iii) shall be paid together with the interest payments as set forth in Article 4.05 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 Balance subject to such Interest Rate Conversion; (iii) shall accrue, from and including the Conversion Date, on the Outstanding Balance subject to the Interest Rate Conversion; and (iv) shall be paid together with the interest payments, as set forth in Article 4.05 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 Balance subject to the Interest Rate Cap or Interest Rate Collar; and (ii) shall be paid upfront in a lump-sum amount, in the Settlement Currency, on the first interest payment date, as set forth in Article 4.05 of these General Conditions.

(e) The transaction fee applicable to a Commodity Conversion: (i) shall be expressed in the form of basis points; (ii) shall be calculated on the basis of the Notional Quantity times the commodity closing price on the Commodity Conversion Date according to the Underlying Commodity Index; and (iii) shall be paid in Dollars, in a lump-sum upfront or in installments, as agreed upon between the Bank and the Counter-Guarantor and specified in the Conversion Notification Letter. In no event shall the Counter-Guarantor pay such fee to the Bank later than the Commodity Conversion Maturity Date, or, if the case may be, the date in which a Commodity Conversion is terminated early pursuant to Article 4.06 of these General Conditions.

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

(g) For Catastrophe Protection Conversion, the Bank will charge the Counter-Guarantor the applicable transaction fees and, as the case may be, other fees that may be due in connection with a Cash Settlement Event. These fees: (i) shall be expressed in the form of basis points; (ii) shall be calculated on the basis of the Catastrophe and Protection Amount; (iii) shall be paid in Dollars, in a lump-sum upfront or in installments, as agreed upon between the Bank and the Counter-Guarantor and specified in the Conversion Notification Letter; and (iii) may be deducted from the Cash Settlement Amount as provided in Article 4.13 of these General Conditions. In no event shall the Counter-Guarantor pay such fees to the Bank later than the last day of the Conversion Period for a Catastrophe Protection Conversion or, if the case may be, the date on which a Catastrophe Protection Conversion is terminated early pursuant to Article 4.06 of these General Conditions.

(h) In case of early termination of a Catastrophe Protection Conversion, an additional fee will apply, which: (i) shall be expressed in the form of basis points; (ii) shall be calculated on the basis of the Catastrophe and Protection Amount; and (iii) shall be paid in Dollars, as a lump-sum amount, promptly upon termination.

**ARTICLE 4.08. Funding Expenses, Premiums and 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 Counter-Guarantor shall pay all fees and expenses incurred by the Bank in sourcing its funding. In addition, any premiums or discounts related to the Bank's funding shall be paid by or credited to the Counter-Guarantor, as the case may be. These expenses and premiums or discounts will be specified in the Conversion Notification Letter.

(b) (c) When a Conversion (other than Catastrophe Protection Conversion) is effected on Outstanding Balances, the amounts owed by or due to the Counter-Guarantor as described in paragraph (a) above, shall be paid by the Counter-Guarantor or the Bank, as the case may be, within thirty (30) days from the Conversion Date.

(d) In the case of a Catastrophe Protection Conversion, the Counter-Guarantor shall pay to the Bank all costs that the Bank may incur associated with the structuring of a Catastrophe Protection Conversion and the corresponding market transaction and costs related to the occurrence of a Cash Settlement Event and the Cash Settlement Event calculation. Such costs: (i) shall be paid in Dollars, (ii) shall be paid in a lump-sum amount upfront or in installments, as agreed upon between the Bank and the Counter-Guarantor and specified in the Catastrophe Conversion Notification Letter; and (iii) may be deducted from the Cash Settlement Amount as provided in Article 4.13 of these General Conditions. These costs include administration cost and the costs of all third parties the Bank may need to retain. The Bank may agree to alternative payment mechanisms, such as expressing these costs in the form of basis points per annum, in which case they will be paid together with interest on each interest payment date, as long as it is

operationally possible for the Bank. In no event shall the Counter-Guarantor pay such costs to the Bank later than the last day of the Conversion Period for a Catastrophe Protection Conversion or, if the case may be, the date on which a Catastrophe Protection Conversion is terminated early pursuant to Article 4.06 of these General Conditions.

(e) In the case of a Catastrophe Protection Conversion, the provisions of Article 4.13 may apply to any deduction of any premium, cost, or fees associated with a Catastrophe Protection Conversion.

**ARTICLE 4.09. Premiums payable in connection with Interest Rate Caps or Interest Rate Collars.** (a) In addition to the transaction fees payable pursuant to Article 4.07 of these General Conditions, the Counter-Guarantor shall pay the Bank a premium on the Outstanding Balance subject to the Interest Rate Cap or Interest Rate Collar requested by the Counter-Guarantor, equal to the premium paid by the Bank to a counterparty, if any, as a result of the purchase of the Interest Rate Cap or Interest Rate Collar. Such premium shall be paid: (i) in the currency of denomination of the Outstanding Balance subject to the Interest Rate Cap or Interest Rate Collar, or its equivalent in Dollars, at the exchange rate set forth in the Conversion Notification Letter, which shall be the exchange rate determined at the time the Bank sourced the funding or entered into the related hedge; and (ii) in a lump-sum amount, on a date agreed by the Parties, but in no event later than thirty (30) days after the Conversion Date; provided however that if operationally feasible for the Bank, the Bank may agree to a different payment mechanism.

(b) If the Counter-Guarantor 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 Counter-Guarantor selects the upper and lower limits, the premium payable to the Bank by the Counter-Guarantor 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 Counter-Guarantor by the Bank in respect of the lower limit of the Interest Rate Collar shall in no case exceed the premium payable by the Counter-Guarantor 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 4.10. Premiums Payable in Connection with a Commodity Conversion.** In addition to the transaction fees payable pursuant to Article 4.07 of these General Conditions, but subject to Article 4.01(e) of these General Conditions, the Counter-Guarantor shall pay to the Bank a premium equivalent to the premium paid by the Bank to a counterparty for entering into a related commodity hedge. Such premium shall be paid in Dollars, in a lump-sum amount upfront or in installments, as agreed upon between the Bank and the Counter-Guarantor and specified in the Conversion Notification Letter. The Bank may agree to alternative payment mechanisms, such as expressing the premium in the form of basis points per annum, in which case it will be paid together with interest on each interest payment date. In no event shall the Counter-Guarantor pay such premium to the Bank later than the Commodity Conversion Maturity Date, or, if the case may be, the date in which a Commodity Conversion is terminated early pursuant to Article 4.06.

**ARTICLE 4.11. Premiums Payable in Connection with a Catastrophe Protection Conversion**. In addition to the fees payable pursuant to Article 4.07 of these General Conditions, but subject to Article 4.01(f) of these General Conditions, the Counter-Guarantor shall pay to the Bank a premium equivalent to the premium paid by the Bank in the financial markets for entering into a related Catastrophe Protection Conversion hedge. Such premium: (i) shall be paid in Dollars, (ii) shall be paid in a lump-sum amount upfront or in installments, as agreed upon between the Bank and the Counter-Guarantor and specified in the Catastrophe Conversion Notification Letter; and (iii) may be deducted from the Cash Settlement Amount as provided in Article 4.13 of these General Conditions. The Bank may agree to alternative payment mechanisms, such as expressing the premium in the form of basis points per annum, over a timeline agreed between the Bank and the Counter-Guarantor, in which case it will be paid together with interest on each interest payment date, as long as it is operationally possible for the Bank. The Counter-Guarantor shall pay the premium to the Bank over a timeline agreed between the Bank and the Counter-Guarantor or, as the case may be, no later than the date on which a Catastrophe Protection Conversion is terminated early pursuant to Article 4.06 of these General Conditions.

**ARTICLE 4.12. Commodity Conversions**. Each Commodity Conversion shall be entered into on the following terms and conditions:

- (a) Each Commodity Conversion shall relate to either a Commodity Put Option or a Commodity Call Option (each, a "Commodity Option"). A Commodity Option shall constitute the grant by the Bank to the Counter-Guarantor of the right (exercisable as provided in this Article) to cause the Bank to pay the Cash Settlement Amount, if any, on the Commodity Conversion Settlement Date.
- (b) If, at the Commodity Conversion Maturity Date under a Commodity Call Option, the Specified Price exceeds the Strike Price, the "Cash Settlement Amount" shall equal the product of (i) the excess of the Specified Price over the Strike Price multiplied by (ii) the Notional Quantity of such Commodity Option. Otherwise, the "Cash Settlement Amount" for such Commodity Call Option shall be zero.
- (c) If, at the Commodity Conversion Maturity Date under a Commodity Put Option, the Strike Price exceeds the Specified Price, the "Cash Settlement Amount" shall equal the product of (i) the excess of the Strike Price over the Specified Price multiplied by (ii) the Notional Quantity of such Commodity Option. Otherwise, the "Cash Settlement Amount" for such Commodity Put Option shall be zero.
- (d) In case the Commodity Conversion refers to a binary Option Type, the "Cash Settlement Amount" will be determined on the basis of a formula to be specified in the Conversion Notification Letter (Article 4.01(b)(iv)(I) of these General Conditions).
- (e) On the Commodity Conversion Maturity Date, the Bank will determine and give notice to the Counter-Guarantor of the Cash Settlement Amount. If the Cash Settlement Amount is greater than zero, the Bank will pay such amount to the Counter-Guarantor on the Commodity Conversion Settlement Date. If a loan made to the Counter-Guarantor, or guaranteed by the Counter-Guarantor, is in arrears for

over thirty (30) days, then the Bank may deduct from the Cash Settlement Amount due to the Counter-Guarantor all amounts due and payable by the Counter-Guarantor to the Bank under any loan made to or guaranteed by the Counter-Guarantor that is in arrears for any length of time (either for more, or for less, than thirty (30) days).

- (f) If the Counter-Guarantor shall fail to make a payment when due of any premium payable under the Commodity Conversion, and such failure is not cured within a reasonable time, the Bank may by written notice to the Counter-Guarantor terminate the related Commodity Option, whereupon the Counter-Guarantor shall pay to the Bank an amount determined by the Bank to be the amount that would be incurred by the Bank as a result of its unwinding or reallocating any related commodity hedge. Alternatively, the Bank may choose not to terminate the Commodity Option, in which case any Cash Settlement Amount resulting upon a Commodity Conversion Maturity Date will be applied as provided for in Article 4.06 of these General Conditions.

**ARTICLE 4.13. Catastrophe Protection Conversions.** Each Catastrophe Protection Conversion shall be entered into on the following terms and conditions:

- (a) If at the time of occurrence of a Cash Settlement Event, as determined in an Event Report by the Event Calculation Agent, there is a Cash Settlement Amount to be paid to the Counter-Guarantor by the Bank, the Bank will pay such Cash Settlement Amount to the Counter-Guarantor within five (5) business days, unless otherwise agreed between the Bank and the Counter-Guarantor.
- (b) If a loan made to the Counter-Guarantor, or guaranteed by the Counter-Guarantor, is in arrears for over thirty (30) days, then the Bank may deduct from the Cash Settlement Amount due to the Counter-Guarantor in connection with a Catastrophe Protection Conversion all amounts due and payable by the Counter-Guarantor to the Bank under any loan made to or guaranteed by the Counter-Guarantor that is in arrears for any length of time (either for more or for less than thirty (30) days).
- (c) In addition to the deductions set forth in paragraph (b) above, the Bank, at its own discretion, may deduct from the Cash Settlement Amount due to the Counter-Guarantor in connection with a Catastrophe Protection Conversion all amounts due and payable by the Counter-Guarantor to the Bank related to fees, premiums and costs as set forth, respectively, in Articles 4.07(g), 4.11, and 4.08(d) of these General Conditions, in accordance with the following:
  - (i) **Costs.** The Bank may deduct from the corresponding Cash Settlement Amount any outstanding unpaid costs associated with the Catastrophe Protection Conversion.

- (ii) **Outstanding Installments.** If the Bank and the Counter-Guarantor have agreed that the fees, premium, and/or costs will be paid by the Counter-Guarantor in installments or annualized, then:
  - (A) **Fees.** The Bank may deduct from any Cash Settlement Amount the entirety of the outstanding fees, including amounts owed but not yet due under the relevant installments schedule agreed to between the Counter-Guarantor and the Bank.
  - (B) **Costs.** The Bank may deduct from any Cash Settlement Amount the entirety of the outstanding costs, including amounts owed but not yet due under the relevant installments schedule agreed to between the Counter-Guarantor and the Bank.
  - (C) **Premiums – Protection Amount Not Exhausted.** The Bank may deduct from any Cash Settlement Amount the outstanding premium, including amounts owed but not yet due under the relevant installments schedule agreed to between the Counter-Guarantor and the Bank, up to a maximum of fifty percent (50%) of the Cash Settlement Amount, if the Cash Settlement Amount does not exhaust the Protection Amount under the Catastrophe Protection Conversion.
  - (D) **Premiums – Protection Amount Exhausted.** The Bank may deduct from the Cash Settlement Amount the entirety of the outstanding premium, including amounts owed but not yet due under the relevant installments schedule agreed to between the Counter-Guarantor and the Bank, if the Cash Settlement Amount is such that it exhausts the Protection Amount under the Catastrophe Protection Conversion.
- (iii) **Remaining Balance.** If the Cash Settlement Event exhausts the Protection Amount and, after deducting from the Cash Settlement Amount the applicable fees, costs and premium described above, the Counter-Guarantor still owes the Bank any of amounts for fees, costs, or premiums; then the Counter-Guarantor shall promptly make those payments to the Bank in accordance with the terms and in the manner indicated by the Bank.
- (d) All determinations and calculations made by the Event Calculation Agent in an Event Report shall be final and binding on the Counter-Guarantor.

**ARTICLE 4.14. Market Quotes Disruption Events.** The Parties acknowledge that the amortization and interest payments made by the Counter-Guarantor 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 Counter-Guarantor'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 Counter-Guarantor.

**ARTICLE 4.15. Cancellation and Reversal of the Currency Conversion.** If, after the execution of this Contract, a change in a law, decree, or other applicable rule or regulation is enacted or issued, or if there is a change in the interpretation of a law, decree or other applicable rule or regulation in force at the time of execution of this Contract that, as reasonably determined by the Bank, prevents the Bank from continuing to maintain, in whole or in part, its funding in the Converted Currency, for the remainder of the period and under the same terms as the corresponding Currency Conversion, the Counter-Guarantor, upon being notified by the Bank, shall have the option to redenominate the Outstanding Balances subject to the Currency Conversion to Dollars at the exchange rate applicable at that time, as determined by the Calculation Agent. Such Outstanding Balances shall remain subject to the Amortization Schedule agreed for such Currency Conversion and the Interest Rate set forth in Article 3.02(a) of these General Conditions. Alternatively, the Counter-Guarantor may prepay all amounts that it owes in the Converted Currency, pursuant to the provisions of Article 4.06 of these General Conditions.

**ARTICLE 4.16. Gains or Losses associated with the Redenomination into Dollars.** If the Counter-Guarantor decides to redenominate the Outstanding Balances subject to a Currency Conversion into Dollars pursuant to Article 4.15 above, within thirty (30) days after the redenomination date, the Counter-Guarantor shall receive from the Bank, or alternatively, shall pay to the Bank, as applicable, the amounts corresponding to any gain or loss incurred by the Bank as determined by the Calculation Agent, up until the Dollar redenomination date, in connection with variations in the interest rates. In case of a gain, the amount will be credited first to any amounts due and payable by the Counter-Guarantor to the Bank.

**ARTICLE 4.17. 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 Counter-Guarantor owes the Bank as a result of a Conversion and any premiums payable to the Bank pursuant to Article 4.09 in a currency other than the Dollar, the Bank may charge interest at a floating rate in the Converted Currency determined by the Calculation Agent, plus a spread of 100 basis points (1%) over the total amount in arrears, irrespective of the applicability of additional charges to ensure a full transfer of costs in the event such spread is not sufficient to cover for the Bank the costs incurred as a result of such delay.

**ARTICLE 4.18. Costs, expenses or losses in case of Conversions.** If an action or omission by the Counter-Guarantor including: (a) nonpayment of principal, interest and fees relating to a Conversion on the due dates; (b) revoking or changing the terms set forth in the Conversion Request Letter; (c) nonfulfillment of a partial or full prepayment of the Outstanding Balances in the Converted Currency, if such prepayment had been previously requested by the Counter-Guarantor in writing; (d) a change in laws or regulations that have an impact on the

maintenance of all or part of the Outstanding Balance 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 Counter-Guarantor shall pay the Bank such amounts, as determined by the Calculation Agent, to ensure a full transfer of the costs incurred by the Bank. In the case of Catastrophe Protection Conversion, the Counter-Guarantor shall pay the Bank such additional costs according to Article 4.08(d) of these General Conditions.

## **CHAPTER V** **Accelerated Maturity**

**ARTICLE 5.01.**     **Accelerated Maturity.** The Bank may declare that the Outstanding Balance or a portion thereof is immediately due and payable, together with interest and fees accrued up to the date of payment if:

- (a) Any of the following circumstances occurs and continues for more than sixty (60) days:
  - (i) Delay in the payment of any sums owed by the Counter-Guarantor to the Bank for Outstanding Balances, fees, interest, or for any other reason, under this Contract or any other contract entered into between the Bank and the Counter-Guarantor, including another Loan Contract or Derivatives Contract;
  - (ii) Nonfulfillment by the Counter-Guarantor of the Program agreed to by the Bank or of any other obligation set forth in this Contract or in any other contract entered into with the Bank for the financing of the Project or in any Derivative Contract signed with the Bank; and
  - (iii) Withdrawal or suspension from membership in the Bank of the country in which the Program is to be executed;
- (b) It is determined by the Bank that the Counter-Guarantor, Executing Agency or an employee, agent or representative of these, has committed a Prohibited Practice in connection with the Program, provided that the Counter-Guarantor or the Executing Agency, as the case may be, has not taken adequate remedial measures (including providing adequate notice to the Bank upon learning of the Prohibited Practice) within a period of time the Bank considers reasonable; or
- (c) The Program is affected by any restriction, of the legal capacity or modification or alteration of the functions or assets of the Counter-Guarantor or the Executing Agency, in which case, the Bank will have the right to require the Counter-Guarantor for purposes of weighing whether the change or changes, have or may have, a negative impact on the execution of the Program to provide reasoned and detailed information, and only after hearing the Counter-Guarantor and weighing the information or clarification received, or if the Counter-Guarantor fails to respond,

may the Bank accelerate the maturity of the Outstanding Balances if it considers that the modifications made affect the Program materially and unfavorably or render its execution impossible and the information or the clarifications or additional information presented by the Counter-Guarantor or the Executing Agency, if any, are not satisfactory to the Bank.

**ARTICLE 5.02. Prohibited Practices.** (a) For the purposes of this Contract, “Prohibited Practice” shall be understood as the practice prohibited by the Bank in connection with the activities it finances, as defined by the Board or that are defined in the future and communicated to the Counter-Guarantor, including among others: corrupt practice, fraudulent practice, coercive practice, collusive practice, obstructive practice, and misappropriation.

(b) If the Bank determines that the Counter-Guarantor, Executing Agency or an employee, agent or representative of these, has engaged in a Prohibited Practice in connection with the execution of the Program, the Bank may take the following actions, including:

- (i) Issue a reprimand against the firm, entity or individual determined to be responsible for the Prohibited Practice in the form of a formal letter of censure for its behavior.
- (ii) Declare any firm, entity or individual determined to be responsible for the Prohibited Practice ineligible, either permanently or temporarily, to participate in Bank-financed activities, whether directly as a contractor or supplier, or indirectly as a subconsultant, subcontractor, or a supplier of goods, consulting services, or non-consulting services.
- (iii) Refer the matter to appropriate law enforcement authorities.
- (iv) Impose fines representing reimbursement to the Bank for costs associated with investigations and proceedings.

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

(d) The Counter-Guarantor, Executing Agency or an employee, agent or representative of these, may be sanctioned by the Bank pursuant to agreements the Bank may have with other international financial institutions regarding the mutual enforcement of debarment decisions. For purposes of this paragraph (d) the term “sanction” shall mean any permanent debarment, conditions on future contracting or any publicly-disclosed action taken in response to a violation of an international financial institution’s applicable framework for addressing allegations of Prohibited Practices.

**ARTICLE 5.03. Non-waiver of Rights.** Any delay by the Bank in the exercise of its rights pursuant to this Contract, or failure to exercise them, shall not be construed as a waiver by the Bank of any such rights nor as acquiescence in events or circumstances which, had they occurred, would have empowered it to exercise them.

**ARTICLE 5.04. Provisions not Affected.** The application of any of the measures provided for by this Chapter shall not affect the obligations of the Counter-Guarantor established in this Contract, which shall remain in full force and effect, except that in case the entire Outstanding Balance has been declared due and payable, only the pecuniary obligations of the Counter-Guarantor shall continue in force.

## **CHAPTER VI** **Records, Inspections and Reports**

**ARTICLE 6.01. Internal Control and Records.** The Counter-Guarantor or the Executing Agency, as the case may be, shall maintain an appropriate system of internal accounting and administrative controls. The accounting system shall be organized so as to provide the necessary documentation to permit the verification of transactions and facilitate the timely preparation of financial and account statements and reports. The records of the Program shall be maintained for a minimum of three (3) years after the date of after the date of issuance of Guarantee, in such a way that: (a) make it possible to identify the sums received from the Program; and (b) allow the identification of the information related with the execution of the Program or the use of the resources to finance it.

**ARTICLE 6.02. Inspections.** (a) The Bank may establish such inspection procedures as it deems necessary to ensure the satisfactory development of the Program.

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

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

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

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

**CHAPTER VII**  
**Provision on Encumbrances and Exemptions**

**ARTICLE 7.01. Commitment on Encumbrances.** If the Counter-Guarantor should agree to create any specific encumbrance on all or part of its assets or revenues to secure an external debt, it shall at the same time create an encumbrance guaranteeing to the Bank, equally and proportionally, the fulfillment of the pecuniary obligations arising from this Contract. However, the foregoing shall not apply: (a) to encumbrances on goods used as security for payment of the unpaid balance of the purchase price; and (b) to encumbrances created in banking operations to secure payment of debts with maturities of not more than one year. In the event that the Counter-Guarantor is a member country, the term “assets or revenues” shall mean all types of assets or revenues which belong to the Counter-Guarantor or any of its dependent agencies which are not autonomous entities with their own separate capital.

**ARTICLE 7.02. Tax Exemption.** The Counter-Guarantor undertakes to ensure that any Outstanding Balance shall be paid without any deduction or restriction whatsoever, exempt from any tax, fee, duty or charge established or that may be established by the laws of its country, and to pay any tax, fee, or duty applicable to the signing, negotiation, and execution of this Contract.

**CHAPTER VIII**  
**Miscellaneous Provisions**

**ARTICLE 8.01. Assignment of Rights.** The Bank may assign to other public or private institutions, in the form of participations, the rights corresponding to the Counter-Guarantor’s pecuniary obligations under this Contract. The Bank shall immediately notify the Counter-Guarantor of each assignment. The Bank may grant participations in respect of Outstanding Balance at the time of entering into the participation agreement.

**ARTICLE 8.02. Modifications and Contractual Waivers.** Any modification or waiver of the provisions of this Contract shall be agreed upon in writing by the Parties.

**ARTICLE 8.03. 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 8.04. Termination.** (a) The total and definitive settlement of the Guarantee, and the full payment to the Bank of all Outstanding Balance, if any, as to the full payment of all obligations arising from it shall be deemed terminated upon full payment of the principal, interest, fees, premiums, and all other expenses, as well as all other expenses, costs and payments arising from this Contract, with the exception of those referred to in paragraph (b) of this Article.

(b) The obligations acquired by the Counter-Guarantor 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 8.05.**     **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 8.06.**     **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 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 Counter-Guarantor, 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.

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

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

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

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

(c) The award shall be in writing and shall be adopted with the concurrent vote of at least two members of the Tribunal. It shall be handed down within approximately sixty (60) days

from the date on which the Referee is appointed, unless the Tribunal determines that, due to special and unforeseen circumstances, such period should be extended. The award shall be notified to the Parties by means of a communication signed by at least two members of the Tribunal, and shall be complied with within thirty (30) days from the date of notification. The award shall be final and will not be subject to any appeal.

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

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