

*LOAN AGREEMENT*

*BETWEEN*

*CORPORACIÓN ANDINA DE FOMENTO*

*AND*

*THE GOVERNMENT OF BARBADOS*

*November 17, 2017*

## **SPECIAL CONDITIONS**

This loan agreement (the “Loan Agreement”) is entered into on November 17, 2017, between the following parties (the “Parties”) and subject to mutually agreed terms and conditions set forth below:

CORPORACIÓN ANDINA DE FOMENTO (“CAF”), a multilateral financial institution established pursuant to the Agreement Establishing CAF executed in the city of Bogota, Republic of Colombia, on February 7, 1968, with its headquarters in Caracas, Venezuela, and duly represented herein by its Director Representative in the Republic of Trinidad and Tobago, Joel Branski; and

The GOVERNMENT OF BARBADOS (the “Borrower”), duly represented herein by the Hon. Christopher P. Sinckler, Minister of Finance and Economic Affairs;

### **ARTICLE 1. The Loan**

Upon request and subject to the terms and conditions of this Loan Agreement, CAF undertakes to make available to the Borrower, and the Borrower accepts, an investment loan (the “Loan”) of up to the amount of FIFTEEN MILLION DOLLARS OF THE UNITED STATES OF AMERICA (US\$15,000,000.00), to be used by the Borrower to partially finance the Tax Administration Infrastructure Reform Programme (the “Programme”).

The major aspects of the Programme are described in detail in the Programme Description in Annex B (“Annex B”).

### **ARTICLE 2. Use of Loan Resources**

The Borrower agrees to use the resources of the Loan exclusively to finance the implementation of activities to promote the efficiency and effectiveness in the tax collection systems, particularly to: (i) acquire and implement a technological integrated tax administration system for the Barbados Revenue Authority; (ii) upgrade the scanning equipment of the Customs and Excise Department (“CED”) at the Grantley Adams International Airport (“GAIA”) and the Barbados Port Inc. (“BPI”); and (iii) the preparation of studies to support the consolidation of the tax reform in Barbados.

### **ARTICLE 3. Disbursement of the Loan**

The Borrower, directly or through the Executing Agency, may request the first disbursement of the Loan during a six (6) month period from the Effective Date (as such term is defined in Article 18) of the Loan Agreement. The Borrower, directly or through the Executing Agency, may request additional disbursements for up to twenty-four (24) months from the Effective Date of the Loan Agreement (the “Availability Period”). All disbursements shall be denominated and made in Dollars.

The modality and amount for each disbursement shall be agreed between the Parties without exceeding the maximum amount for each calendar year notified by CAF to the Borrower.

#### **ARTICLE 4. Executing Agency**

The Parties agree that the execution of the Programme, the utilization of the resources of the Loan and all other responsibilities granted to the Executing Agency in accordance with the terms set forth in the General Conditions in Annex A (“Annex A”) and Annex B, shall be carried out by the Borrower, through the Ministry of Finance and Economic Affairs, with the technical assistance of the Barbados Revenue Authority (the “BRA”) (the “Executing Agency”), as this is a direct loan to the Government of Barbados. The Borrower undertakes to guarantee that the Executing Agency shall carry out the activities of, and any other responsibilities under, the Programme in accordance with the provisions set forth in this Loan Agreement.

#### **ARTICLE 5. Conditions Precedent and Subsequent to Disbursement**

In addition to any other conditions and covenants set forth in this Loan Agreement, the Borrower, acting directly or through the Executing Agency, as the case may be, agrees to fulfil, to CAF’s satisfaction, the following conditions, including the delivery of a set of verification mechanisms:

**(a) Prior to first disbursement, submit:**

- (i) Evidence that the Programme Execution Unit (“PEU”) or team has been selected with staff dedicated to carry out the execution of the components of the Programme, which shall include the appointment of a project manager and the roles and responsibilities of the staff in the team.
- (ii) Evidence that the Programme’s Steering Committee has been established comprising representatives of each participating entity, and its’ functioning protocol, including the coordination mechanisms for the Loan execution between: the BRA, Customs, Airport and Port.
- (iii) An Initial Report, which should include at least the following: 1) updated physical and financial schedule and work plan for the execution of the Programme’s components, 2) updated budget of each component, considering CAF’s financing and local counterpart resources, 3) updated estimated disbursement schedule for CAF’s Loan, 4) updated procurement plan, the description of the procurement process (up

to that point) and the signed contracts (available at that moment) for the acquisition of goods and services.

- (iv) The following Baseline Indicators (in accordance with Annex B):
    - i. Latest available results from the Tax Administration Diagnostic Assessment Tool (“TADAT”) regarding the following:
      - a. Performance Outcome Area (“POA”) 1: Integrity of the Registered Taxpayer Base, indicators 1 and 2;
      - b. POA 3: Supporting Voluntary Compliance, indicators 8 and 9;
      - c. POA 4: Timely Filing of Tax Declarations, indicators 10 and 11;
      - d. POA 5: Timely Payment of Taxes, indicators 13 and 15;
      - e. POA 6: Accurate Reporting in Declarations, indicators 16 and 18;
      - f. POA 8: Efficient Revenue Management, indicator 23.
    - ii. Latest yearly data available regarding:
      - a. Estimated/average processing time required for examination of passengers, luggage, personal barrels, etc. at the port;
      - b. Estimated/average waiting time (in peak arrival times) for passengers to clear Customs at the Airport;
      - c. Personnel (number) required for examination of passengers/luggage at the Port and Airport;
      - d. Statistics on contraband/dutiable items detection: number of goods examined, number of cases referred to post clearance audit, value of prohibited goods.
  - (v) Evidence that the National Annual Budget includes the local counterpart resources for the current fiscal year.
  - (vi) Rationale, from a technical perspective, for the specific needs and number of scanners required in each facility.
  - (vii) A detailed description of the necessary modifications (infrastructural, institutional, technological, etc.) at the Airport and Port for the accommodation of new scanners.
- (b) Prior to second disbursement, submit:**
- (i) The strategy, including a work plan and an implementation schedule, for data cleansing and migration activities necessary for the implementation of an Integrated Tax Administration System (“ITAS”).
  - (ii) The strategy, including a work plan with a clear implementation schedule, for the initial installation, configuration, customization, and testing of the ITAS.
- (c) During the disbursement period submit:**
- (i) Evidence, during the first quarter of each fiscal year, and until the completion of the execution of the Programme, that the corresponding National Annual Budget has incorporated local counterpart contributions to the Programme;
  - (ii) In March of each year, the management backup plan for IT and other personnel involved in the ITAS project during the tax filing period (April);

- (iii) A copy of any signed contracts for goods and services (software, equipment, consultancies, infrastructure works, studies, etc.);
  - (iv) Quarterly Reports, within thirty (30) days following January 1st, April 1st, July 1st and October 1st of each year, containing at least the following: 1) a detailed description of the status of physical and financial progress based on the initial submitted schedule, reporting on each component and subcomponent of the Programme, 2) the updated budget and time frame of each component, considering CAF's financing and local counterpart resources, 3) an updated disbursement schedule for CAF's Loan, 4) an update on the status of the procurement process of consultancies, equipment and services of each component, 5) the status of data cleansing and migration activities, based on the plan submitted in the initial report, 6) an update on the infrastructure works and other modifications at the Airport and Port required for the installation of scanners, 7) the status of training plans for personnel in Customs and the BRA in charge of working with the new equipment and systems, 8) the status of the public relations strategy for the implementation of each component, 9) a description of problems arising during the execution and solutions applied, and/or any relevant change of scope or modification to any component of the Programme, 10) the status of ongoing integration of Customs with the BRA (once integration is complete, include updated BRA organization chart and reporting mechanisms), 11) the status of the study or studies financed with the Loan to support the consolidation of the tax reform in Barbados.
  - (v) Other reports. The Borrower and/ or the Executing Agency shall deliver any other specific reports reasonably requested by CAF during the execution of the Programme. Should CAF consider it necessary, by the time fifty percent (50%) disbursement of the Loan has been reached or half the disbursement period after the Effective Date of the Loan Agreement has passed, whichever occurs first, the Executing Agency shall submit a Mid Term Report to present the overall progress of the Programme, in relation to the agreed physical and financial schedules, identifying causes and corrections that would be necessary in order to achieve the objectives proposed within the Programme's deadlines. This report should contain: 1) the overall progress of the Programme, 2) a review of compliance with contractual conditions, 3) the relevant problems detected during execution and proposals for solving them, 4) any other aspects or issues proposed by either of the Parties.
  - (vi) Based on the findings of the Mid Term Report, CAF may request a Programme mid-term mission, to be scheduled in coordination with the counterpart.
- (d) Prior to the last disbursement submit:**
- (i) A detailed training schedule for the BRA and Customs personnel dealing with new systems and equipment. Include a report on each completed stage of the training, with the results.
  - (ii) An estimation of costs and sources of funding for the operation and maintenance of systems and scanners.

- (iii) The information campaign and communications plan for the public (Public Relations) regarding the implementation of the ITAS and the new scanners. Include a detailed implementation schedule and budget of the plan.
  - (iv) Once the ITAS implementation is completed, present the efficiencies obtained in the area of resource (head count) optimization, specifically: 1) Information Technology, 2) Customer Service, and 3) any other areas identified but not limited to TADAT indicators in regard to resource management.
  - (v) Copies of the service agreements with the software and scanners suppliers for periodic maintenance.
  - (vi) Present the following Result Indicators (comparison with baseline, in accordance with Annex B):
    - i. Latest available results from the TADAT regarding the following:
      - a. POA 1: Integrity of the Registered Taxpayer Base, indicators 1 and 2;
      - b. POA 3: Supporting Voluntary Compliance, indicators 8 and 9;
      - c. POA 4: Timely Filing of Tax Declarations, indicators 10 and 11;
      - d. POA 5: Timely Payment of Taxes, indicators 13 and 15;
      - e. POA 6: Accurate Reporting in Declarations, indicators 16 and 18;
      - f. POA 8: Efficient Revenue Management, indicator 23.
    - ii. Latest yearly data available regarding:
      - a. Estimated/average processing time required for examination of passengers, luggage, personal barrels, etc. in the port;
      - b. Estimated/average waiting time (in peak arrival times) for passengers to clear Customs at the Airport;
      - c. Personnel (number) required for examination of passengers/luggage in the Port and Airport;
      - d. Statistics on contraband/dutiable items detection: number of goods examined, number of cases referred to post clearance audit and value of prohibited goods.
- (e) **Within one hundred and eighty (180) days after the last disbursement:**
- (i) Submit a final report, including: 1) a summary of the results obtained, the achievement of objectives and the impact of the Programme in accordance with the Result Indicators, 2) management of critical aspects identified by CAF and other relevant issues identified by Borrower and /or the Executing Agency, 3) copies of the provisional and definitive delivery-receipt minutes, to the compliance with the contractors/consultants of the executed works and consultancies, and 4) the final study or studies financed with the Loan to support the consolidation of the tax reform in Barbados.

## **ARTICLE 6. Term and Grace Period**

The Loan will have a term of up to twelve (12) years, including a grace period of up to twenty-four (24) months from the Effective Date of this Loan Agreement during which no repayment of the principal of the Loan is due (the “Grace Period”).

#### **ARTICLE 7. Repayment**

The Borrower shall repay to CAF the principal amount of the Loan in twenty one (21) semi-annual, consecutive and, to the extent possible, equal instalments, to which interest will be added. The first instalment shall be due and payable upon twenty-four (24) months from the Effective Date of this Loan Agreement and the last instalment shall be due and payable on the one hundred and forty fourth (144<sup>th</sup>) month from the Effective Date of this Loan Agreement.

Any partial or total delay incurred by the Borrower in the repayment of the principal amount of the Loan will allow CAF to accrue default interest, as well as to accelerate the term of the Loan and exercise any other rights and remedies set forth in Annex A.

#### **ARTICLE 8. Interest**

The Borrower shall pay to CAF: (i) interest on the daily outstanding principal amount of the Loan at an annual floating rate resulting from the aggregate of the 6-month LIBOR interest rate plus a margin of one point eighty-five percent (1.85%), and (ii) upon an event of default or late payment, in addition to the interest payments set forth in sub-paragraph (i) above, default interest at an annual rate of two percent (2.0%); in each case, in accordance with the provisions set forth in the General Conditions to this Loan Agreement.

#### **ARTICLE 9. Compensatory Financing**

During the first eight (8) years from the Effective Date of this Loan Agreement, CAF will finance up to fifteen (15) basis points of the interest rate set forth in Article 8 (i) above. Such financing will be paid with resources from the Compensatory Financing Fund (“CFF”) and applied directly from the CFF to the payment of interest under the Loan in accordance with the respective amounts and terms.

#### **ARTICLE 10. Commitment Fee**

At the expiration of the first and each subsequent six (6) month period starting from the Effective Date of this Loan Agreement and until the end of the Availability Period, the Borrower shall pay to CAF a non-refundable commitment fee (the “Commitment Fee”) of zero point thirty-five percent (0.35%) per annum, over the amount of the Loan reduced by the aggregate amount of the

disbursements made from time to time under the Loan and, if applicable, by the portions of the Loan that have been cancelled or which disbursement have been suspended pursuant to the provisions set forth in Annex A.

The commitment fee shall be calculated based on the actual number of calendar days elapsed, compared to a year of three hundred sixty (360) days.

If the Effective Date of this Loan Agreement occurs after April 3<sup>rd</sup>, 2018, the Borrower hereby agrees and irrevocably approves the new applicable Commitment Fee to be established by CAF and notified to the Borrower in writing upon such Effective Date.

#### **ARTICLE 11. Finance Fee**

The Borrower shall pay to CAF a non-refundable one-time lump-sum finance fee (the “Finance Fee”) of zero point sixty-five percent (0.65%) of the total amount of the Loan referred to in Article 1 of this Loan Agreement.

The Finance Fee will be fully accrued at the date of execution of this Loan Agreement, regardless whether the Loan is later disbursed in full or not, and shall be payable prior to or on the date of the first disbursement of the Loan. In the event that the Loan is not disbursed, the Finance Fee will be due and payable on the date of suspension or cancellation of the Loan.

If the Effective Date of this Loan Agreement occurs after April 3<sup>rd</sup>, 2018, the Borrower hereby agrees and irrevocably approves the new applicable Finance Fee to be established by CAF and notified to the Borrower in writing upon such Effective Date.

#### **ARTICLE 12. Evaluation Costs**

The Borrower shall pay to CAF a non-refundable one-time lump-sum evaluation fee (the “Evaluation Costs”) of thirty thousand Dollars (US\$30,000.00).

The Evaluation Costs will be fully accrued at the date of execution of this Loan Agreement, regardless whether the Loan is later disbursed in full or not, and shall be payable prior to or on the date of the first disbursement of the Loan. In the event that the Loan is not disbursed, the Evaluation Costs will be due and payable on the date of suspension or cancellation of the Loan.

#### **ARTICLE 13. Currency**

The payment of any sum due by the Borrower under this Loan Agreement shall be made exclusively in Dollars.



In the event that any sum due by the Borrower under this Loan Agreement, or under any order, judgment or arbitral award given relating to this sum, has to be converted from the currency in which that sum is denominated into another currency, the Borrower shall indemnify CAF against all its expenses and losses (duly evidenced by CAF), and shall indemnify it against all cost, loss or liability (duly evidenced by CAF) arising out of or as a result of the said conversion including any discrepancy between: (i) the exchange rate between the two currencies used to convert that sum, and (ii) the exchange rate(s) available to CAF at the time of receipt of that sum. Such indemnification obligation is independent from any other obligations of the Borrower under this Loan Agreement.

#### **ARTICLE 14. Notices**

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

##### **For the Borrower**

*Mailing address:*

Permanent Secretary, Finance  
Ministry of Finance and Economic Affairs  
Government Headquarters  
Bay Street  
St. Michael, Barbados  
Email address: [headleyn@gob.bb](mailto:headleyn@gob.bb)  
Facsimile: + (246) 535-5344

##### **For CAF**

*Mailing address:*

CORPORACIÓN ANDINA DE FOMENTO  
Apartado Postal N° 5086  
Altamira 69011 – 69012  
Caracas  
Bolivarian Republic of Venezuela  
Email: [mostos@caf.com](mailto:mostos@caf.com)  
Fax: + (58) 212 209 2483

*With a copy to:*

Director Representative  
CAF-TRINIDAD AND TOBAGO

8<sup>th</sup> Floor Albion Plaza Energy Centre  
22-24 Victoria Avenue  
Port of Spain,  
Republic of Trinidad and Tobago  
Email [jbranski@caf.com](mailto:jbranski@caf.com)  
Fax: +1 (868) 222-7332

#### **ARTICLE 15. Amendments**

No provision of this Loan Agreement shall be amended, unless such amendment shall be expressly agreed in writing between the Parties.

#### **ARTICLE 16. Commitment to Arbitrate**

For the resolution of any controversy which may arise out of this Loan Agreement and which is not resolved by agreement between the Parties, CAF and the Borrower agree to unconditionally and irrevocably submit themselves to the procedure and ruling of the Arbitration Tribunal referred to in Section 27 of the General Conditions to this Loan Agreement.

#### **ARTICLE 17. Validity**

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

#### **ARTICLE 18. Entry into Effect**

The Parties agree that this Loan Agreement shall enter into effect on the date of its signature (the "Effective Date") and will replace any and all prior agreements entered into between the Parties in connection with the Programme.

#### **ARTICLE 19. Termination**

This Loan Agreement and all the obligations that derive hereof shall only be deemed terminated upon full payment of the Loan and all interest and fees, together with other expenses, premiums, and costs arising out of this Loan Agreement.

#### **ARTICLE 20. Annexes**

This Loan Agreement consists of these Special Conditions and the following annexes, which are attached hereto:

Annex A : General Conditions

Annex B : Programme Description

If any provision of the Special Conditions or the Annex B (*Programme Description*) should present any inconsistency or contradiction with the Annex A (*General Conditions*), the provisions of the Special Conditions or the Annex B (*Programme Description*) - shall prevail.

In the case of inconsistencies or contradictions between the provisions of the Special Conditions and the provisions of Annex B (*Programme Description*), more specific provisions shall prevail over more general provisions.

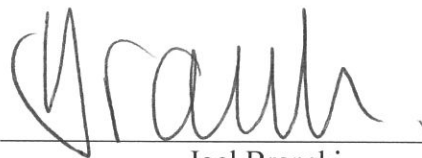
**IN WITNESS WHEREOF**, CAF and the Borrower, acting through its authorized representatives, have signed this Loan Agreement, in two (2) equally authentic copies in Bridgetown, Barbados, on the date above written.

**THE GOVERNMENT OF BARBADOS**



\_\_\_\_\_  
The Hon. Christopher P. Sinckler  
Minister of Finance and Economic Affairs

**CORPORACIÓN ANDINA DE FOMENTO**



\_\_\_\_\_  
Joel Branski  
Director Representative in the Republic of  
Trinidad and Tobago

ANNEX "A"

GENERAL CONDITIONS

**SECTION 1. Definitions and Interpretation**

- 1.1 Unless otherwise required by the context, in this Loan Agreement the following terms shall have the following meanings:

**Business Day**

A day on which commercial banks settle payments and are open for general business in New York, United States of America; Bridgetown, Barbados; and Caracas, Bolivarian Republic of Venezuela.

For the exclusive purpose of determining a Disbursement date or the date for payment of principal, interests, fees and expenses by the Borrower under the Loan, the term "Business Day" shall mean a day on which commercial banks settle payments and are open for general business in New York, United States of America.

For the exclusive purpose of determining LIBOR, the term "Business Day" shall have the meaning ascribed to it under the definition of the term LIBOR.

**Country**

Barbados.

**Disbursement**

According to the context: (i) the disbursement made by CAF to or for the benefit of the Borrower, or (ii) the amount of funds made available by CAF to the Borrower, at the request of the Borrower, and chargeable to the funds of the Loan.

**Dollar**

The lawful currency of the United States of America.

**General Conditions**

The General Conditions set forth in this Annex A which forms an integral part of this Loan Agreement.

**Interest Payment Date**

Upon the first Disbursement, the last Business Day of each six (6) month period under this Loan Agreement.

**Interest Period**

Each six (6) month period beginning on (and including) an Interest Payment Date and ending on (and including) the date immediately before the next following Interest Payment Date, except in the case of the first Interest Period applicable to each Disbursement, when it shall mean the period beginning on (and including) the applicable Disbursement Date and ending on the date immediately before the next following Interest Payment Date.

**LIBOR**

For any Interest Period, the London interbank offered interest rate (expressed as an annual percentage) for loans with a maturity of six (6) months, denominated in Dollars, calculated by the ICE Benchmark Administration (“IBA”) (or by any other person which takes over administration of such rates) as set forth on the relevant pages of Reuters Service (or appropriate successor) currently display page LIBOR01, Bloomberg Financial Market Service (or appropriate successor) currently display page BBAM, or on any other similar information system of international repute which publishes the corresponding rates, (each a “Screen Rate”) at 11:00 a.m. (London time) two (2) Business Days prior to the commencement of such Interest Period; for the sole purpose of determining LIBOR in accordance with this definition, “Business Day” means a day on which commercial banks are generally open to settle payments in New York City, United States of America, and on which banks are open for foreign exchange transactions in the interbank market in London, United Kingdom. If for any reason whatsoever, a Screen Rate for LIBOR is not available on the interest rate determination date, (whether permanently or temporarily), CAF shall notify the Borrower and, in its stead, shall determine LIBOR for said date by calculating the arithmetic mean of the offered rates which it has received on or about 11:00 am (New York time) two (2) Business Days prior to the commencement of such Interest Period, for loans in Dollars by one or more New York prime banks selected by CAF at its discretion; for the sole purpose of determining LIBOR in accordance with this definition in the exclusive event that quotes are obtained on or about 11:00 am (New York time), “Business Day” means a day on which commercial banks are generally open to settle payments in New York City, United States of America. In all events in which a Screen Rate is not available on an Interest Rate Determination Date, CAF’s arithmetic calculations shall be rounded upwards, if necessary, to the nearest four (4) decimal places. All LIBOR determinations shall be made by CAF, and shall be conclusive absent manifest error.

**Parties**

CAF and the Borrower.

### **Special Conditions**

The Special Conditions of this Loan Agreement.

- 1.2 All capitalized terms used in this Loan Agreement and defined in the Special Conditions shall have the meaning ascribed thereto.
- 1.3 Terms importing the singular include the plural and vice versa and the masculine, feminine and neuter genders include all genders.
- 1.4 The headings and short descriptions used for the individual Articles and Sections of this Loan Agreement have no legal significance and do not affect its interpretation.
- 1.5 A reference to an Article, Section, paragraph, party or Annex is a reference to that Article, Section, paragraph, party or Annex to this Agreement, unless otherwise specified.
- 1.6 Phrases such as “satisfactory to”, “approved by”, “acceptable to”, “as determined by”, “at the discretion of”, and phrases of similar import authorize and permit CAF to approve, disapprove, determine, act or decline to act in its sole discretion.
- 1.7 Unless otherwise expressly stated in this Loan Agreement: (i) all references to days shall mean calendar days, (ii) all terms shall be counted in calendar days, (iii) all terms ending in a non-Business Day or a non-existent day shall be considered ended on the first Business Day immediately thereafter, provided that if such following Business Day corresponds to a different fiscal year, the term shall be considered ended in the last Business Day of the previous fiscal year.
- 1.8 No course of dealing and no failure or delay by CAF in exercising, in whole or in part, any power, remedy, discretion, authority or other right under this Loan Agreement shall waive or impair, or be construed to be a waiver of or an acquiescence in, such or any other power, remedy, discretion, authority or right under this Loan Agreement, or in any manner preclude its additional or future exercise.

### **SECTION 2. Loan Agreement**

CAF agrees to lend, and the Borrower agrees to borrow, use the funds of, and repay, the Loan, in accordance with the terms and conditions set forth in this Loan Agreement. The Parties further agree that CAF may, at any time, request the Borrower to provide all documents and information as determined by CAF to validate if the funds disbursed under the Loan have been used in accordance with the provisions of this Loan Agreement.

### **SECTION 3. Disbursement Modalities**

CAF may make the Disbursements requested by the Borrower, directly or through the Executing Agency, by means of one or more of the following modalities:

(a) **Direct Transfers**

Transferring to the Borrower and/or the Executing Agency the funds to which it is entitled under this Loan Agreement to the account and place duly agreed in writing by the Parties in accordance with CAF's internal policies for Disbursements, provided that such direct transfers shall be made only in amounts of not less than Five Hundred Thousand Dollars (US\$500,000.00) each.

(b) **Letters of Credit**

Issuing letters of credit for suppliers of goods and related services, works and consultancy services, as previously authorized by CAF in writing, provided that such direct transfers shall be made only in amounts of not less than US\$ 500,000.00 each.

All requests for the issuance of letters of credit shall be made by the Borrower and/or the Executing Agency in accordance with the instructions and templates provided by CAF. All fees and expenses chargeable by CAF and/or any confirming and intermediary banks (if applicable) shall be borne by the Borrower.

(c) **Revolving Fund**

Providing the Executing Agency with a revolving fund up to an amount equivalent to twenty percent (20%) of the Loan amount, subject to further justification for their use (the "Revolving Fund"). Revolving Fund resources shall be used wholly or partly within ninety (90) days following the date of Disbursement to finance only the items described in the Special Conditions, and their use shall be duly justified by the Borrower and/or the Executing Agency, to CAF's satisfaction, within one hundred twenty (120) days after Disbursement

For the purpose of this Loan Agreement, a Disbursement shall be deemed as executed on the date that the resources are made available to the Borrower and/or the Executing Agency.

At the request of the Borrower and/or the Executing Agency, CAF may restore all or part of the Revolving Fund to the extent that the funds have been used in accordance with the limits set forth above and the Borrower and/or the Executing Agency are in compliance with all other terms and conditions of this Loan Agreement.

- (d) **Transfers to Third-parties**  
Making payments, on behalf of and in agreement with the Borrower and/or the Executing Agency, to third-parties, as previously authorized by CAF in writing, provided that such payments shall be made only in amounts of not less than Five Hundred Thousand Dollars (US\$500,000.00) each.
- (c) **Other Modalities**  
Utilizing any other modality as the Parties may agree upon in writing.

The Parties further agree that: (i) all amounts referred to in this Section 3 may be unilaterally amended by CAF in accordance with its internal policies, and (ii) any banking expenses that may be charged by a third party in connection with the Disbursement modalities set forth above shall be borne by the Borrower.

#### **SECTION 4. Period for Requesting Disbursements**

Disbursements of the Loan may only be requested by the Borrower and made by CAF within the Availability Period set forth in Article 3 of the Special Conditions. Upon expiration of the Availability Period: (i) the Borrower may not request any further Disbursement nor fulfill any pending conditions precedent for Disbursement, and (ii) CAF will be entitled to cancel any outstanding and not disbursed funds under the Loan by sending to the Borrower a written communication to that effect. Notwithstanding the above, the Borrower may deliver to CAF a duly justified request for an extension of the Availability Period no later than thirty (30) days prior to the expiration of such Availability Period, which CAF may accept or reject at its own discretion.

#### **SECTION 5. Conditions Precedent to Disbursements**

In addition to any specific terms agreed in the Special Conditions, the Disbursements of the funds of the Loan shall be subject to the fulfillment of the following requirements to CAF's satisfaction:

- (a) Conditions precedent to the first Disbursement:
  - (i) CAF shall have received a legal opinion, to CAF's satisfaction, which establishes, with citations of the pertinent constitutional, legal, and regulatory provisions, that the obligations undertaken by the Borrower and/or the Executing Agency, as the case may be, under this Loan Agreement, are legal, valid and enforceable, and that the Borrower's representative executing this Loan Agreement is duly authorized to validly oblige the Borrower under the



terms hereof. Such opinions shall also refer to any other legal question that CAF may deem relevant; and

- (ii) The Borrower, directly or through the Executing Agency, shall have designated one or more officials to represent it in all acts relating to the implementation of this Loan Agreement and shall have furnished CAF 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.
- (b) Conditions precedent to all Disbursements:
- (i) the Borrower, directly or through the Executing Agency, shall have submitted in writing or by electronic means, in such form and condition as may be specified by CAF from time to time, a disbursement request in accordance with the applicable Disbursement modality, and, in support thereof, shall have delivered to CAF such pertinent documents and other background materials as CAF may have required;
  - (ii) the Borrower, directly or through the Executing Agency, shall have opened and shall maintain open one or more bank accounts in a financial institution to which CAF may make the Disbursements;
  - (iii) None of the circumstances described in Section 14 of these General Conditions shall have occurred.

## **SECTION 6. Interest**

- (a) Interest Rate: Interest on the Loan shall be determined in accordance with the following terms:
- (i) Interest shall accrue on the principal amount of the Loan outstanding at the rate per annum set forth in the Special Conditions, from the date of the first Disbursement until the date in which the Loan has been fully repaid. For the avoidance of doubt, interest shall also accrue and be payable during the Grace Period.
  - (ii) Interest shall be calculated in relation to the number of calendar days elapsed on the basis of three hundred sixty (360) days per year.

- (iii) Interest shall be determined by CAF for each relevant Interest Period and paid by the Borrower on each Interest Payment Date.
  - (iv) CAF shall notify the Borrower of the rate of interest applicable for each Interest Period in accordance with CAF's internal policies and, in the absence of manifest error, shall be conclusive and binding on the Borrower.
- (b) Default Interest: If the Borrower fails to make: (i) any payment of principal or interest with respect to the Loan, or (ii) any other payment with respect to the Loan provided for in this Loan Agreement, on or before its due date as specified in this Loan Agreement (whether at stated maturity or otherwise) or, if not so specified, as notified by CAF to the Borrower; the Borrower shall pay the default interest rate set forth in the Special Conditions, in accordance with the following terms:
- (i) Default interest shall accrue, in respect of the amount of the payment due and unpaid, from its due date and up to the date of actual payment (both before and after an arbitral award, if any).
  - (ii) Default interest shall be calculated in relation to the number of calendar days elapsed on the basis of three hundred sixty (360) days per year.
  - (iii) No formal prior notice or demand of the default interest shall be necessary to be due and payable. If not demanded, it shall be payable on each Interest Payment Date after the default or failure.
  - (iv) Upon the occurrence of a default or failure in payment, CAF will be entitled to recalculate the interest rate applicable to the principal amount of the Loan due and unpaid, by using the highest 6-month LIBOR interest rate published within the period beginning on the maturity date of the unpaid obligation and the date of its actual payment plus the margin set forth in Article 8 of the Special Conditions.

## **SECTION 7. Expenses**

No later than thirty (30) days upon receiving a written request from CAF, the Borrower shall pay or reimburse CAF, or pay to any third persons as instructed by CAF, the amount of all fees and expenses incurred by CAF (and duly evidenced) in connection with the negotiation, preparation, signing and execution of this Loan Agreement and any other documents relating to the Loan Agreement which may be later executed. Such fees and expenses may include but are not limited to: (i) legal counsels, (ii) external consultants, (iii) travel, (iii) surveys, (iv) appraisals, (v) notaries, (vi) public registries, (vii) tariffs, (viii) taxes, (ix) stamps, (x)

transfers of funds to, or for the account of, the Borrower. The Borrower shall also reimburse CAF any fees and expenses which CAF may have incurred in reserving or in enforcing its rights pursuant to this Loan Agreement.

**SECTION 8. Place of Payments**

All payments due under this Loan Agreement shall be made at the principal office of CAF in the city of Caracas, Bolivarian Republic of Venezuela, or in the accounts and/or places which CAF designates for this purpose by written notification to the Borrower.

**SECTION 9. Application of Payments**

All payments made by the Borrower to CAF shall be allocated in the following order: (i) expenses, (ii) fees, (iii) default interest, if applicable (iv) interest due on payment date, and (v) to the amortization of installments of principal due under the Loan.

**SECTION 10. Prepayments**

The Borrower may only prepay one or more of the outstanding installments of principal under the Loan, if: (i) the prepayment is made on an Interest Payment Date following the first (1<sup>st</sup>) year from the date of entry into force of the Loan Agreement and the end of the Grace Period, (ii) CAF has received and accepted a written irrevocable prepayment request delivered by the Borrower no later than forty-five (45) days in advance, (iii) the prepayment amount is equal to one (1) or a multiple of the installments of principal of the Loan, (iv) after the prepayment is made, no amounts (including principal, interest, fees and expenses) shall remain due and unpaid under the Loan, and (v) the Borrower concurrently pays to CAF: (a) any losses or expenses incurred by CAF in connection with the early termination of the Loan Agreement, supervision of the Programme and any others arising from the prepayment, as determined by CAF, and (b) the applicable prepayment fee in accordance with the following chart:

<b>Year of Prepayment</b> <i>(to be calculated from the date of entry into effect of the Loan Agreement)</i>	<b>Prepayment Fee</b> <i>(to be determined as a percentage of the prepayment amount)</i>
2 – 3	2.50%
3 – 4	1.75%
4 – 5	1.00%
+ 5	0.50%

In the event that the prepayment does not cover the entire outstanding principal amount of the Loan, the prepayment shall be applied to the outstanding amortization installments in reverse order of maturity. CAF will determine the prepayment fee and any additional payable amounts under the Loan Agreement and inform the Borrower with fifteen (15) days prior notice.

#### **SECTION 11. Taxes**

The Borrower undertakes to ensure that all payments of principal, interest, fees, and any other payment for expenses or costs required under this Loan Agreement shall be made without any deduction or restriction whatsoever, exempt from any tax, fee, duty, tariff, or charge established or that may be later established by the laws of the Country or under any other applicable jurisdiction. In the event that the Borrower is required by law or for any other reason to make deductions or withholdings from any payments, then it shall pay any such necessary additional amounts to CAF so that the net amount remaining after any withholding or deduction corresponds to the amount which would have been payable had no such deductions or withholdings been made.

The Borrower further agrees that all taxes, charges, duties, costs and expenses incurred and due in connection with the execution, amendment or enforcement of this Loan Agreement and any other documents relating thereto as well as the rights arising therefrom shall be borne by the Borrower.

#### **SECTION 12. Renunciation of Part or the Total Amount of the Loan**

The Borrower may renounce, by delivering to CAF a written notice at least fifteen (15) days in advance, its right to utilize any part of the Loan funds which has not been disbursed before the receipt of the notice, provided that no amounts may be subject to renunciation if already committed by CAF for the issuance of a letter of credit, transfer to third parties or under any other Disbursement modality agreed pursuant to Section 3 of these General Conditions. The Borrower shall bear all financial losses and expenses incurred by CAF in connection with such renunciation.

The renunciation of part or of the total amount of the Loan will not entitle the Borrower to the reimbursement of any portion of the Finance Fee or Evaluation Costs.

#### **SECTION 13. Adjustment of Amortization Schedule**

Based on the actual amount effectively disbursed to the Borrower during the Availability Period and subject to any potential renunciation, suspension or cancellation of the Loan,

CAF will proportionally adjust the amounts of the outstanding installments and deliver to the Borrower an updated amortization schedule.

#### **SECTION 14. Suspension of Disbursements**

CAF, by written notice to the Borrower, may suspend Disbursements if any of the following circumstances occurs and so long as said circumstance continues:

- (a) Delay in the payment of any sums owed by the Borrower to CAF for principal, interest, fees, expenses, or for any other reason, under this Loan Agreement or any other agreement entered into between CAF and the Borrower.
- (b) Default by the Borrower or the Executing Agency to use the funds of the Loan in accordance with Article 2 of the Special Conditions.
- (c) Default by the Borrower or the Executing Agency of any other obligation set forth in this Loan Agreement or in any other agreement entered into with CAF.
- (d) Withdrawal of the Borrower as shareholder of CAF.
- (e) If CAF determines, in accordance with its internal policies, that the Borrower and/or the Executing Agency, prior to or after the execution of this Loan Agreement, have provided CAF with any untrue or false information, or omitted to provide relevant information in connection with the Programme.
- (f) If the use of any goods, products and materials to be financed hereunder, as well as any activities to be executed by the Borrower or the Executing Agency will contravene the Country's applicable laws, including environmental and social regulations, or any other terms and conditions set forth in this Loan Agreement.
- (g) Upon the occurrence of any force majeure or act of god events (howsoever defined) which prevent the Parties from fulfilling the obligations assumed hereunder.

#### **SECTION 15. Termination and Acceleration**

CAF may terminate this Loan Agreement with respect to the part of the Loan not yet disbursed or may declare the entire outstanding principal balance of the Loan or a portion thereof immediately due and payable, together with interest, fees and expenses accrued up to the date of actual payment if: (i) any of the circumstances set forth in paragraphs (a), (b) or (d) of the preceding Section 14 occur; (ii) any of the circumstances set forth in paragraphs (c), (f) or (g) of the preceding Section 14 occur and continues for more than thirty (30) days;

or (iii) the information referred to in paragraph (e) of the preceding Section 14, or the clarifications or additional information presented by the Borrower or the Executing Agency, if any, are not satisfactory to CAF. To that effect, CAF will deliver a written notice to the Borrower, without need of any formal notice or commencing any court or arbitration proceedings.

Notwithstanding the above, upon the occurrence of the default circumstance set forth in paragraph (b) of Section 14, CAF may, instead of accelerating the Loan, request the Borrower to return the amount of the funds disbursed and used in contravention of Article 2 of the Special Conditions, together with all accrued interest thereunder, which shall be repaid by the Borrower to CAF within the following three (3) Business Days.

#### **SECTION 16. Disbursements not affected by suspension or acceleration.**

The provisions of Sections 14 and 15 shall not affect any amounts of funds already committed by CAF for the issuance of a letter of credit, transfer to third parties or under any other Disbursement modality agreed pursuant to Section 3 of these General Conditions.

#### **SECTION 17. General provisions for the execution of the Programme**

The Borrower, directly or through the Executing Agency, undertakes to execute the Programme and use the funds of the Loan with due diligence and in accordance with sound financial and technical practices and in accordance with the plans, specifications, estimated costs, budgets, regulations, and other documents approved by CAF. The Borrower further agrees that its obligations shall be fulfilled to the satisfaction of CAF.

The Borrower will be jointly and severally liable for the obligations assumed by the Executing Agency under this Loan Agreement (including its respective Annexes), the terms of each disbursement request and any other documents agreed in connection therewith.

#### **SECTION 18. Other conditions applicable to the Loan funds**

The funds of the Loan shall be used exclusively for the purposes set forth in this Loan Agreement, unless CAF has otherwise agreed in writing with the Borrower or the Executing Agency upon receiving all corresponding approvals and permits issued by competent authorities.

Notwithstanding the above, the Borrower and/or the Executing Agency shall not use the funds of the Loan to finance: (i) the acquisition of land or capital stock, (ii) the payment of taxes and tariffs, (iii) customs expenses, (iv) company incorporation expenses, (v) the

payment of interest during construction, (vi) military equipment and expenses, and (vii) others established or which may be later established by CAF.

The goods and services to be financed with the funds of the Loan shall only be destined for achieving the Programme, and neither the Borrower nor the Executing Agency may sell, transfer, or create any liens or encumbrances on them without CAF's prior written consent.

#### **SECTION 19. Modifications and increases of the estimated cost of the Programme**

Any significant modification in the plans, specifications, estimated costs, budgets, regulations or other documents that CAF has approved, as well as any substantial change in the procurement proceedings and the agreements for the acquisition of goods or services which may be funded with the funds devoted to the execution of the Programme, shall require the written consent of CAF.

If during the execution of the Programme an increase in the estimated cost of the Programme (as specified in Annex B) takes place, the Borrower shall contribute, directly or through the Executing Agency, in a timely and efficient manner, all of the funds in addition to those of the Loan which may be necessary for the complete and uninterrupted execution of the Programme. Upon the occurrence of such event, the Borrower undertakes to inform and provide to CAF all the information and documents which may be required by CAF.

#### **SECTION 20. Special Instructions**

The Borrower undertakes to comply with all the instructions and requirements received from CAF and arising from the agreements entered into by CAF with the financial institutions providing total or partial funding for the Loan. The Borrower also authorizes CAF to share with such financial institutions any available information (whether of confidential nature or not) in connection with this Loan Agreement and the Programme.

#### **SECTION 21. Procurement of goods, works, consulting and related services**

For the acquisition of goods estimated to cost Five Hundred Thousand Dollars (US\$500,000.00) or more, and for the procurement of works and related services in amounts estimated to cost Two Million Dollars (US\$2,000,000.00) or more, the Executing Agency shall carry out an international public bidding procedure. For the acquisition of goods estimated to cost less than Five Hundred Thousand Dollars (US\$500,000.00) and the procurement of works and related services in amounts estimated to cost less than two million Dollars (US\$2,000,000.00), the Executing Agency shall apply procedures previously authorized by CAF in writing.

For the procurement of consulting services estimated to cost Two Hundred Fifty Thousand Dollars (US\$250,000.00) or more, the Executing Agency shall carry out an international public bidding procedure. For the procurement of consulting services estimated to cost less than Two Hundred Fifty Thousand Dollars (US\$250,000.00), the Executing Agency shall apply procedures previously authorized by CAF.

When carrying out international public bidding procedures the Executing Agency shall widely broadcast tender notices, avoiding restrictions in connection with the origin of the goods or services, or any others which may prevent or affect the competitiveness and transparency of the bidding procedure.

The Executing Agency shall in a timely manner inform CAF of: (i) the dates on which the bid or tender for the procurement of goods, works and related services or for retaining consultants will be opened, (ii) the awards to be granted as a result of the bid or tender, (iii) the agreements to be executed with the person or persons awarded with a contract, and (iv) the origin of the goods to be supplied by the persons awarded with the contract.

In special cases arising from technical reasons, duly evidenced and justified by the Borrower or the Executing Agency, CAF may waive the requirement for an international public bidding procedure.

## **SECTION 22. Records, inspections and reports**

The Borrower agrees to, directly or through the Executing Agency, maintain records, permit inspections, and submit reports and financial statements in accordance with accounting principles acceptable to CAF. The Borrower's books and records shall evidence: (i) all payments made with the Loan funds, and (ii) the financial and operational aspects of the Programme and of each project or activity executed under the Programme.

The Borrower shall authorize CAF to review all books and records related to the Programme until all amounts due under this Loan Agreement have been repaid in full.

## **SECTION 23. Supervision**

CAF may establish all the supervision procedures which it may deem necessary to ensure the normal execution of the Programme and all projects and activities thereunder.

The Borrower and the Executing Agency shall grant access to all experts and representatives sent by CAF to supervise the projects and activities to be executed under the Programme; and to review the books, records and any additional documents related thereto.



## **SECTION 24. Reports**

In addition to the reports set forth in Article 5 of the Special Conditions, the Borrower and/or the Executing Agency, as appropriate, shall furnish all other reports requested by CAF, within the periods that the Parties may agree for each case, in connection with: (i) the use of the Loan funds, (ii) the procurement of goods, works and related services, and the retaining of consultants, and (iii) the execution of the Programme.

## **SECTION 25. Notice of adverse circumstances**

The Borrower, directly or through the Executing Agency, shall inform CAF immediately upon having knowledge of: (i) any circumstance or situation which in the opinion of the Borrower or the Executing Agency shall prevent or affect the achievement of the objectives of the Programme or the execution of the provisions set forth in this Loan Agreement, and (ii) any amendment to the applicable laws and regulations affecting the Borrower and/or the Executing Agency, in relation to the achievement of the objectives of the Programme and the execution of the provisions set forth in this Loan Agreement.

CAF may adopt all the remedies which it may deem appropriate in accordance with the terms of this Loan Agreement if, at its discretion, the circumstances or amendments to the applicable laws and regulations described above may cause a material adverse effect on the Borrower, the Executing Agency, the Programme, or all of the above.

## **SECTION 26. Assignments**

This Loan Agreement binds and benefits the respective successors and assignees of the Parties, except that the Borrower may not assign, transfer, or otherwise dispose, in any manner whatsoever, any of its rights or obligations under this Loan Agreement without the prior written consent of CAF. CAF may assign, transfer, participate or otherwise dispose of all or a portion of its rights and obligations under this Loan Agreement. In case of assignment of the entire Loan Agreement, CAF shall notify the Borrower in writing within thirty (30) days from the date of such assignment, and the assignee shall assume all the rights and obligations of CAF under the Loan Agreement in the same terms agreed by CAF with the Borrower. Participations may be granted by CAF in respect of either outstanding Loan balances or amounts of the Loan that are still undisbursed at the time of entering into the participation agreement. Any assignment or delegation in violation of this Section 26 shall be void.

## **SECTION 27. Arbitration**

Any arbitration to be entered into between the Parties shall be subject to the following provisions:

General provisions: All disputes arising out of or in connection with this Loan Agreement (including without limitation any dispute concerning the existence, validity, interpretation, performance or termination of this Agreement), which cannot be settled amicably by negotiation between the Parties, shall be finally resolved and settled by arbitration conducted in accordance with this Section 27 and the Arbitration Rules of UNCITRAL (*United Nations Commission on International Trade Law*).

Composition of the Arbitration Tribunal: The Arbitration Tribunal shall be composed of three members to be appointed in the following manner: one by CAF, another by the Borrower, and a third, hereinafter called the “Chairman”, by direct agreement between the Parties or through their respective arbitrators.

Initiation of the Procedure: In order to submit the controversy to arbitration, the claimant party shall address to the other party a written communication setting forth the nature of the claim, the satisfaction or compensation that 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.

Convening of the Tribunal: The arbitration Tribunal shall be convened in the city of Lima, Republic of Peru, on the date designated by the Chairman, and, once convened, shall meet on the dates which the Tribunal itself shall establish.

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 Loan Agreement, and shall issue an award even if either party should fail to appear or present its case.
- (c) The award shall be in writing and shall be adopted with the concurrent vote of at least two members of the Tribunal. It shall be handed down within approximately sixty (60) days from the date on which the Chairman 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.

Costs: The fees of each arbitrator shall be paid by the party that appointed him and the fees of the Chairman 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 that 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.

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

**SECTION 28. Authorized Representatives**

The Borrower, directly or through the Executing Agency, shall deliver to CAF the names and signatures of the persons that will represent it as authorized representatives in connection with all actions related to this Loan Agreement, duly certified by a person authorized for such purpose and communicated in accordance with the provisions of Article 14 of the Special Conditions.

The Borrower and the Executing Agency shall also notify to CAF any changes in the names of each of their authorized representatives. Until CAF receives notification of any appointment of authorized representatives of the Borrower and the Executing Agency, the persons signing this Loan Agreement will be considered as the only authorized representatives.

**SECTION 29. English or Spanish Language**

All documents to be furnished or communications to be given or made under this Loan Agreement or any of the other related documents shall be in English or Spanish language. To the extent that the original of any such document or communication is in a language other than English or Spanish, it shall be accompanied by a translation into English or Spanish certified by an authorized representative of the party delivering such document or communication.

## ANNEX B

### PROGRAMME DESCRIPTION

The negative external shocks experienced by Barbados, consequences of the international financial crisis, and the ensuing negative impact on tourism, economic activity and public finances caused the Government of Barbados to develop an ambitious plan to recover a sustainable growth and development path, as presented in the Medium Term Growth and Development Strategy 2013-2020. This strategy establishes four specific goals: (i) Bring the economy back to a sustainable growth rate, while maintaining macroeconomic stability, (ii) Facilitate broad based adjustments and reforms in the economy, (iii) Enhance social and human development, and (iv) Promote energy and environmental sustainability. To reach these goals, several objectives were defined for internal action (macro stability, reduce the costs of doing business, promote investment, social services, etc.) and external, with the diversification of origin markets and the improvement of competitiveness of the tourism services (infrastructure, human capital, accommodation, attractions, etc.).

Regarding macroeconomic stability, several opportunities and structural reforms have been identified, in order to improve fiscal management, process efficiency and public finances. Important activities for improving public finance, particularly related to the increase in tax and customs fees collections, are being developed. In this context, Barbados has requested CAF's support for the implementation of a Programme designed to: (i) improve the efficiency of the tax collection technological systems, currently, responsibility of the Barbados Revenue Authority ("BRA"), (ii) modernize the Department of Custom's control systems at the port and airport, and, (iii) preparation of studies to support the consolidation of the tax reform in Barbados.

#### A. Objectives

The Programme's main objective is to improve tax administration processes, with the technological integration of administration systems, modernization of control equipment in customs, and the development of studies, in order to support the tax reform process and the fiscal adjustment Programme, as presented in the Medium Term Growth and Development Strategy 2013-2020.

The specific objectives of the Programme are to:

- Promote a more efficient fiscal and tax management system, allowing for the reduction of evasion and an increase in fiscal revenue.
- Support the integration of technological systems, in accordance with best practices, for the tax administration under the BRA, with the intention of improving collection and allowing for the generation of consolidated reports for policy decision making.
- Create technical capacity within the Executing Agency.
- Automate the baggage and cargo screening processes in customs clearance at the port and airport.

- Maintain or improve the throughput of processed passengers without compromising screening.
- Increase Customs' income collection at the port and airport, through a more effective detection of dutiable items.
- Improve the level of detection of contraband and illegal drugs, currency, firearms and ammunition in baggage and on passengers arriving at the port and airport.
- Support the Ministry of Finance and Economic Affairs ("MFEA") and the BRA with studies to provide guidance for the consolidation of the tax administration reforms.

## **B. Description and Components**

The Programme has three (3) components, detailed below:

### **(i) Integrated Tax Administration System ("ITAS") for the BRA**

This component is intended to acquire or procure and customize an off the shelf system for the administration of the various enactments under the responsibility of the BRA. It also includes various complementary activities, such as the transfer of technical and business application knowledge, data cleansing and migration, hardware and computer equipment acquisition, single domain for the BRA, training for BRA personnel, officials and final users, business intelligence, etc. There are currently five (5) systems used by the BRA to administer taxes, with no interface or data sharing among them, making it difficult to produce consolidated reports for supervision and decision making. These initiatives have been considered in the BRA's Strategic Plan 2016-2020, as part of the objectives related to quality of service for tax payers and with reporting systems, tax management and internal procedures.

This component has a main consultancy contract, signed in May, 2017 with Data Torque Limited and C2D Services Incorporated. The consultancy is intended to:

- provide the information technology services (ITS) and configuration implementation and test the software to ensure a customized solution;
- parameterization of the system in such a way that it would be fully operational;
- design on-line documents and forms to support all tax returns, payment forms, refunds forms, registration forms, printers authorization forms, compliance and enforcement letters, assessments for all non-self-assessed taxes, re-assessments prepared either automatically by the system or as a result of an audit procedure; the filing of objections and appeals, the decisions to those objections and appeals, etc.;
- train the BRA personnel in matters of the administration of taxes for registration, returns processing, payment processing, refunds processing, risk assessment; third party information gathering, auditing, cross-matching information, compliance enforcement, arrears collection, objections and appeals, accounting and statistics;
- train the BRA personnel in all operational functionality of the system before its implementation; and

- (vi) provide support for the software during a three (3) year period, based on a Service Level Agreement (“SLA”).

The system will be configured to address or add other aspects of taxation that may evolve out of the on-going tax legislation review and reform process. The tax administration system does not include customs tariffs and duties from a transaction processing and workflow management perspective but will include them from a revenue record and compliance viewpoint. The system will keep information to identify the obligations a taxpayer is subject to using a tax vector or some other facility that will allow to link different obligations to the same taxpayer. The system will also include a Document Management System for the preparation, storage and querying of documents.

## **(ii) Customs Scanners**

The second component of the Programme provides for the acquisition of scanning equipment for the GAIA and for the BPI. Given that Barbados depends on the tourism industry, it is critical that both ports of entry (air and sea) are equipped with the appropriate equipment. Recently, congestion and slow processing, due to manual operations by the CED, has had a negative impact on the country’s image. Additionally, having manual screening implies low detection of dutiable items, contraband and illegal substances. The purchase of baggage and passenger scanners at these facilities has to be aligned with international best practices.

Under this Programme the acquisition of the following equipment has been considered:

- (i) One (1) ProVision2 Body Scanner for the arrivals hall in the GAIA;
- (ii) Six (6) units of the Smiths Detection HI-SCAN 100100T-2is, five (5) destined for scanning luggage in the arrivals hall of the GAIA and one (1) in the arrivals hall of BPI;
- (iii) Three (3) units of the Smiths Detection HI-SCAN 145180-2is Heimann, one (1) destined for the cargo terminal at the GAIA and two (2) for BPI;
- (iv) Two (2) detection units of the Smiths ScanMobile 130100 for handling cargo at off-site terminals, one (1) for GAIA and one (1) for BPI.

Additionally, this component provides for: a) investments in infrastructure adaptation in the passenger’s arrival terminals at the GAIA and BPI, to accommodate new scanners and facilitate processing and passenger flow, b) the training of customs, port and airport personnel, and, c) the development and implementation of a reporting solution for the Customs Department.

## **(iii) Support for the Consolidation of the Tax Reform in Barbados**

This component will be based on the analysis of the tax reform process and activities being carried out in Barbados to determine the main challenges and achievements, and propose next steps needed to complete the reform. This will include, but is not limited to, a study to design and implement the component that will: i) enhance overall revenue collection, (ii) use business intelligence and risk principles to improve identification of revenue leakages, and (iii) shorten the tax gap.

Specifically, this component will include the establishment of a Programme Execution Unit comprising staff from the BRA and the Customs Department to review post-clearance audits to track the movement of taxable goods and services using risk principles and taxpayer profiling. Further, the Project Unit will ensure that auditors and Customs Department staff can work together to improve tax identification and collection.

CAF, with the support of a consultant, and in close coordination with the BRA and the Public Investment Unit (PIU) in the Ministry of Finance and Economic Affairs, is working on the Terms of Reference of the studies that will be considered as part of the Programme, including the proposed activities, cost and implementation timetable. These studies will be carried out with the technical support of the Caribbean Regional Technical Assistance Centre (CARTAC).

### **C. Cost and financing sources**

The total cost of the Programme is eighteen million nine hundred thirty-three thousand one hundred twenty six Dollars (US\$18,933,126), of which CAF will finance up to fifteen million Dollars (US\$15,000,000), or seventy-nine point two per cent (79.2%), in accordance with the budget presented below. The main component, in terms of cost, is the development of an ITAS, which is equal to forty-three per cent (43%). An amount of six hundred seventy-five thousand Dollars (US\$675,000), or three point six per cent (3.6%) of the total cost of the Programme, intended for possible contingencies.



	COMPONENT/ACTIVITY	TOTAL	CAF	Local Counterpart	Components %
<b>I</b>	<b>INTEGRATED TAX ADMINISTRATION SYSTEM FOR THE BRA</b>	<b>8,153,994</b>	<b>6,970,594</b>	<b>1,183,400</b>	<b>43.1%</b>
1.1	<b>Infrastructure Upgrade</b>	<b>854,863</b>	<b>751,000</b>	<b>103,863</b>	
	Network and security hardware	494,088	420,500	73,588	
	Network and electrical cabling	88,125	75,000	13,125	
	Single domain implementation	115,150	98,000	17,150	
	Computers and servers	157,500	157,500	-	
1.2	<b>Software - under main Consultancy Contract</b>	<b>1,309,063</b>	<b>1,121,663</b>	<b>187,400</b>	
	Software acquisition	500,000	500,000		
	Maintenance and support (1st and 2nd year)	621,663	621,663		
	Maintenance and support (3rd year)	187,400		187,400	
1.3	<b>Software Implementation - main Consultancy Contract</b>	<b>5,413,144</b>	<b>4,606,931</b>	<b>806,213</b>	
	Project initiation and mobilisation	243,146	206,933	36,213	
	System requirements and Business Analysis	400,782	341,091	59,691	
	ITS configuration	2,560,847	2,179,444	381,403	
	Data migration/transfer	318,043	270,675	47,368	
	Installation and testing	293,114	249,459	43,655	
	Implement E-services	1,025,853	873,066	152,787	
	Training	465,609	396,263	69,346	
	Change management	52,875	45,000	7,875	
	Public relations	52,875	45,000	7,875	
1.4	<b>Business Intelligence/Datawarehouse</b>	<b>253,800</b>	<b>216,000</b>	<b>37,800</b>	
1.5	<b>PR and Communications</b>	<b>88,125</b>	<b>75,000</b>	<b>13,125</b>	
1.6	<b>Change management</b>	<b>235,000</b>	<b>200,000</b>	<b>35,000</b>	
<b>II</b>	<b>SCANNERS FOR AIRPORT AND PORT CUSTOMS</b>	<b>6,487,125</b>	<b>5,627,000</b>	<b>860,125</b>	<b>34.3%</b>
2.1	<b>Scanners</b>	<b>4,620,000</b>	<b>4,032,000</b>	<b>588,000</b>	
	Purchase of scanning equipment	3,948,000	3,360,000	588,000	
	Maintenance and support	672,000	672,000		
2.2	<b>Infrastructure Works</b>	<b>1,057,500</b>	<b>900,000</b>	<b>157,500</b>	
2.3	<b>Business Intelligence - Develop and implementation of reporting solution for CED</b>	<b>211,500</b>	<b>180,000</b>	<b>31,500</b>	
2.4	<b>Training and workshops</b>	<b>146,875</b>	<b>125,000</b>	<b>21,875</b>	
2.5	<b>PR and Communications</b>	<b>117,500</b>	<b>100,000</b>	<b>17,500</b>	
2.6	<b>Change management</b>	<b>293,750</b>	<b>250,000</b>	<b>43,750</b>	
2.7	<b>Study tour</b>	<b>40,000</b>	<b>40,000</b>	<b>-</b>	
<b>III</b>	<b>STUDIES TO SUPPORT THE CONSOLIDATION OF TAX REFORM</b>	<b>2,029,702</b>	<b>1,727,406</b>	<b>302,296</b>	<b>10.7%</b>
3.1	<b>Development of risk modelling to enhance revenue collection (BRA and CED)</b>	<b>881,250</b>	<b>750,000</b>	<b>131,250</b>	
3.2	<b>Other studies</b>	<b>1,148,452</b>	<b>977,406</b>	<b>171,046</b>	
<b>IV</b>	<b>ADMINISTRATIVE AND PERSONNEL EMOLUMENTS</b>	<b>1,587,304</b>		<b>1,587,304</b>	<b>8.4%</b>
<b>V</b>	<b>CONTINGENCIES</b>	<b>675,000</b>	<b>675,000</b>		<b>3.6%</b>
	<b>TOTAL</b>	<b>18,933,126</b>	<b>15,000,000</b>	<b>3,933,126</b>	<b>100%</b>
	<i>Source of funding %</i>	<i>100%</i>	<i>79.2%</i>	<i>20.8%</i>	

The tentative disbursement schedule of the Programme is as follows (in US\$ '000), where Q means quarter of the fiscal year starting on April 1<sup>st</sup>:

	QIII 2017-18	QIV 2017-18	QI 2018-19	QII 2018-19	QIII 2018-19	QIV 2018-19	Total Cost
<b>CAF Loan</b>	3,391.04	5,178.10	2,220.04	2,123.04	1,321.74	766.04	<b>15,000.00</b>
<b>Local Counterpart</b>	733.25	1,216.63	588.37	570.87	502.56	321.46	<b>3,933.12</b>
<b>Total</b>	<b>4,124.29</b>	<b>6,394.73</b>	<b>2,808.41</b>	<b>2,693.91</b>	<b>1,824.30</b>	<b>1,087.50</b>	<b>18,933.12</b>

#### D. Implementation Schedule

The implementation plan is detailed below:



Activity	Start	End	2016/2017	2017-2018	2018-2019	2018-2019
<b>II SCANNERS FOR AIRPORT AND PORT CUSTOMS</b>						
<b>2.1 ACQUISITION OF SCANNERS</b>						
<i>Procurement process</i>						
Expression of interest issued and evaluated	25-Sep-17	13-Oct-17				
RFP advertised and evaluated	27-Oct-17	10-Dec-17				
Contract award	10-Dec-17	31-Dec-17				
<i>Project initiation and mobilisation (payment)</i>						
Delivery and implementation of scanners	15-Jan-18	31-Jan-18				
Training	01-Feb-18	31-Dec-18				
Installation and Testing	01-Feb-18	31-Dec-18				
Maintenance and support	15-Jun-18	31-May-19				
<b>2.2 ENABLING INFRASTRUCTURE &amp; WORKS (re-configuration of areas)</b>						
<i>GAIA</i>						
Port Authority	01-Aug-17	31-May-18				
STUDY TOUR	01-Nov-17	30-Jun-18				
<b>2.4 ACQUISITION OF NETWORK AND SECURITY HARDWARE (multiple contracts)</b>						
Request for Quotation and evaluation	05-Feb-18	16-Feb-18				
Award contract, delivery and payment	21-Apr-18	11-May-18				
<b>2.5 CHANGE MANAGEMENT</b>						
Change management with technical assistance	12-May-18	30-Jun-18				
Public relations and communication roll-out	15-Jan-18	31-Dec-18				
<b>III STUDIES TO IMPROVE IMPLEMENTATION REFORMS</b>						
	01-Jul-17	30-Sep-18				

## E. Tax Administration Diagnostic Assessment Tool (“TADAT”) Selected Indicators for Monitoring the Programme’s Results

The aim of the TADAT is to provide a standardized means of assessing the health of key components of a country’s tax administration system and its level of maturity in the context of international best practices. It is a global tool, used to focus on the administration of the major direct and indirect taxes critical to central government revenues. TADAT assesses the performance by reference to nine outcome areas, with twenty-eight (28) high level indicators. The overall score for an indicator is based on the assessment of the individual dimensions of each indicator, scored on a four (4) point scale (A, B, C, or D). The interpretation of these scores is broadly as follows: A – denotes performance that meets or exceeds international best practices; B – represents sound performance, but a rung below international best practices; C – means weak performance relative to international best practices; D – denotes inadequate performance.

For the Programme, some of the twenty-eight (28) indicators have been selected as a follow-up tool for the results of the implementation of the first component, those related to some extent to the investments. The International Monetary Fund (IMF) will be requested to complete a second assessment of the BRA using the TADAT tool during the second year of the Loan Agreement (October, 2018).

The following chart provides details of the indicators that the Executing Agency must provide as part of the Loan conditions:

<b>Performance Outcome Areas (“POA”) 1: Integrity of the registered taxpayer base</b>
Indicator 1: Accurate and reliable taxpayer information
Indicator 2: Knowledge of the potential taxpayer base
<b>POA 3: Supporting Voluntary Compliance</b>
Indicator 8: Scope of initiatives to reduce taxpayer compliance costs
Indicator 9: Obtaining taxpayer feedback on products and services
<b>POA 4: Timely Filing of Tax Declarations</b>
Indicator 10: On-time filing rate
Indicator 11: Use of electronic filing facilities
<b>POA 5: Timely Payments of Taxes</b>
Indicator 13: Use of efficient collection systems
Indicator 15: Stock and flow of tax arrears
<b>POA 6: Accurate Reporting in Declarations</b>
Indicator 16: Scope of verification actions taken to detect and deter inaccurate reporting
Indicator 17: Extent of proactive initiatives to encourage accurate reporting
Indicator 18: Monitoring and extent of inaccurate reporting
<b>POA 8: Efficient Revenue Management</b>
Indicator 23: Adequacy of the tax revenue accounting system