

LOAN AGREEMENT

BETWEEN

CORPORACIÓN ANDINA DE FOMENTO

AND

THE GOVERNMENT OF BARBADOS

December, 2019

SPECIAL CONDITIONS

This loan agreement (the "Loan Agreement") is entered 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, Bolivarian Republic of Venezuela, and duly represented herein by its Executive President, Luis Carranza Ugarte; and

The **GOVERNMENT OF BARBADOS** (the "Borrower"), duly represented herein by the Hon. Mia Amor Mottley, Prime Minister and Minister of Finance, Economic Affairs and Investment;

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 ten million US Dollars (USD 10,000,000.00), to be used by the Borrower to partially finance the Water Infrastructure Rehabilitation Project (the "Project").

The major aspects of the Project are described in detail in the Project 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 the following activities in relation to the Project: preparation of studies, rehabilitation of potable water reservoirs, storage tanks and infrastructure of pumping stations, acquisition and installation of electrical backup equipment for potable water infrastructure. Additionally this loan will finance, project management, external supervision of the works, financial audit, evaluation expenses and the Project financing commission.

ARTICLE 3. Disbursement of the Loan

The Borrower, 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, may request additional disbursements for up to forty-eight (48) months from the Effective Date of the Loan Agreement (the "Availability Period"). All disbursements shall be denominated and made in US 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.

Extension of Term Revolving Fund

The Parties agree that the terms established in Section 3(c) (*Revolving Fund*) of Annex A (*General Conditions*) of this Loan Agreement for the use and justification of the use of Revolving Fund resources, may be extended by CAF, upon request of the Borrower up to a term of: (i) one

hundred and fifty (150) days, for the use of the resources; and (ii) one hundred and eighty (180) days for the justification of the use of the resources, both terms commencing from the date of the disbursement.

ARTICLE 4. Executing Agency

The Parties agree that the execution of the Project, the utilization of the resources of the Loan and all other responsibilities granted to the Executing Agency in accordance with the terms set forth the General Conditions in Annex A ("Annex A") and Annex B, shall be carried out by the Borrower, through the Ministry of Energy and Water Resources, with the technical assistance of the Barbados Water Authority (the "BWA") (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 Project in accordance with the provisions set forth in this Loan Agreement.

ARTICLE 5. Conditions Precedent and Subsequent to Disbursement

In order to strengthen the technical, economic, institutional, environmental and social viability of the Project, the Borrower and/or the Executing Agency, as appropriate, shall comply, to the satisfaction of CAF, with the following conditions:

Prior to first disbursement, submit:

1. Evidence of the creation or formal designation or ratification of the Execution Unit (the Project Management Office of the BWA (the "PMO")) for Project implementation, which shall include, as a minimum, the appointment of the Project Manager, the submission of an organizational chart and the roles and responsibilities of the staff of this unit.
2. Initial Report, which must include: (i) Project Planning, with details of the activities to be carried out in its different components; (ii) updated status of the Project; (iii) budget updated and disaggregated by source of financing, including local contributions (with the budget for the environmental and social management components of the works during the construction phase); (iv) physical and financial execution schedules and the disbursement schedule; (v) approval process for licenses and approvals. In the case of any changes to the planned interventions, these should be included in the Report.
3. Project Operations Manual ("POM") which must include as a minimum: (i) a detailed description of the Project, a list of the infrastructure to be rehabilitated and the criteria for prioritizing investments; (ii) institutional framework and responsible agencies; (iii) execution cycle of the works; (iv) environmental and social aspects; (v) financial administrative management and definition of processes; and (vi) monitoring, follow-up, control and reporting mechanisms including the matrix of indicators and goals.

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4. Evidence that the National Annual Budget (or Estimates) includes the local counterpart resources for the current year and the provision for the disbursement of the resources of the CAF Loan.
5. Procurement Plan for an eighteen (18) month period. Any relevant variation/change to said Plan should be communicated to CAF in a timely manner.
6. Tender documents and schedule of external technical, environmental and social supervision of the works to be financed by CAF. This supervision may be carried out by a national or an international company.

Prior to the start of the bidding process for the pre-investment component, submit:

1. Terms of Reference for the preparation of the Potable Water and Sanitation Master Plan, that takes into consideration the Storm Water Management Plan (Adaptation measures to counter the effects of climate change, with a focus on water resource management and flood resilience), approved by the BWA, which will be financed through this Loan.
2. Copy of the Storm Water Management Plan (Adaptation measures to counter the effects of climate change, with a focus on water resource management and flood resilience), which is the responsibility of the Ministry of Environment and National Beautification (formerly, Ministry of Environment and Drainage).

Prior to the start of the bidding process for the investment component, submit:

1. Evidence of the hiring of an external independent, national or international company of recognized experience for the technical supervision.
2. Evidence that an independent national or international company (or companies) of recognized experience has been contracted to: (i) prepare the Environmental and Social Management and Monitoring Plan; and (ii) undertake the environmental and social supervision of the Project, including the compliance with the Environmental and Social Management and Monitoring Plan.
3. Certification by the BWA of the approval of the studies and final designs of the components financed by the CAF Loan.
4. Tender documents for the works, which must include, at least, the construction procedure, the technology used, the construction materials and technical guarantees of same and quality control mechanisms. For electromechanical equipment, for power generation and

instrumentation, the training of BWA personnel for the operation of said equipment must be included. In addition, the preparation, by the supplier, of the operation and maintenance manuals and the maintenance plan for these components must be included, for at least one (1) year.

Prior to the start of disbursements for the execution of each of the works, submit:

1. Copy of the signed contracts for the rehabilitation works of the components financed by CAF.
2. To the satisfaction of CAF, an opinion from BWA's internal audit department, validated by BWA's Board, that verifies the compliance of the procurement process with current local regulations and the Loan Agreement with CAF, which contains copies of: (i) the publications made and the notice of bid opening; (ii) amendments and explanatory circulars of the specifications; (iii) bid evaluation minutes (including selection criteria); (iv) record of the award proposal submitted by the evaluation committee (selection); (v) model contract to be executed; and (vi) summary of the process. This report must be submitted once the award proposal has been completed.
3. An Environmental and Social Management and Monitoring Plan associated with the identified impacts, including a detailed budget for the environmental and social management of the work during the construction and operation stage. The foregoing may be included as part of a bidding document and must be approved by the BWA.
4. The identification of environmental aspects and impacts that the works will cause includes but is not limited to dust, noise, waste, erosion, for each component (pipes, tanks, pumping stations, generators, etc.)
5. Work plan for service interruptions that includes its cut-off schedule, its respective communication plan to the population, and coordination with the Town and Country Development Planning Office.
6. Once defined, and before the acquisition of the generators, indicate what type of fuel will be used. In the case of Liquefied Petroleum Gas ("LPG") or other fossil fuel, indicate the approximate amount of atmospheric emissions of each generator and its compliance with applicable local regulations.
7. The management plan for hazardous and non-hazardous waste that includes estimated volumes, type of material, temporary and final disposal sites, corresponding permits. In

case of removal of materials with asbestos contents (asbestos fibres), make special emphasis on the proper handling of this material, as well as the industrial safety and occupational health protocols to be implemented. This plan may be part of the Environmental and Social Monitoring and Management Plan.

Prior to the start of disbursements of the pre-investment and the Institutional Strengthening components, submit:

1. Copy of the signed contract for the preparation of the Potable Water and Sanitation Master Plan approved by the BWA, which will be financed through this Loan.

Upon reaching fifty percent (50%) of loan disbursements or two (2) years after the loan agreement entered into effect, whichever comes first:

1. Present the Midterm Report, which will allow for the evaluation of the overall progress of the Project, in relation to the agreed physical and financial schedules and with the results indicators established in the Project Operations Manual, identifying the delays and adjustments needed to achieve the proposed objectives within the established deadlines.

This report must contain: (i) the status of the physical and financial progress of the Project; (ii) the progress of the Project measured against the matrix of the agreed results indicators; (iii) the evaluation of the progress of each component, including the committed and disbursed amounts; (iv) the review of compliance with the Project's contractual conditions; (v) the identification of any significant problems detected during the execution of the Project and measures to resolve them; and (vi) the proposals for adjustments to the Project to meet its development objectives, with details at the level of each component.

This report must be submitted at least two months prior to the project's mid-term mission, whose date will be previously coordinated with CAF.

Upon reaching eighty-five percent (85%) of loan disbursement, submit:

1. Operation and Maintenance Plan for the Project works that include cost estimates, financing sources and efficiency indicators for monitoring and control.
2. The progress made to the Potable Water and Sanitation Master Plan, which should include urban drainage (Storm Water Management Plan).

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During the period of loan disbursement, submit:

1. Evidence, during the second quarter of each year and until the final completion of the execution of the Project, that the corresponding National Annual Budget has incorporated local counterpart contributions to the Project and the provisions for disbursing the loan using CAF's resources.
2. The Annual Operational Plan (the "AOP") within sixty (60) calendar days at the end of each fiscal year. This AOP should at least include: (i) the details of the activities to be carried out in the different components of the Project; (ii) the objectives and goals by component and the indicators to be used in its measurement; (iii) the physical and financial execution schedule, including the financing needs of the period; (iv) the procurement plan; and (v) the budget broken down by source of financing, including local contributions.
3. Semi-Annual Reports within sixty (60) days following January 1 and July 1 of each year. These reports should contain: (i) progress of the components of the Project, including the updated indicator matrix; (ii) status of compliance with the special conditions of the Loan Agreement with CAF; (iii) procurement and contracting; (iv) risks and mitigating factors; (v) operation and maintenance status of the works that have been completed; (vi) technical, operational and commercial management indicators of the BWA as defined in the Initial Report; and (vii) progress in the implementation of the Environmental and Social Management and Monitoring Plans for each work, highlighting: (a) compliance of management measures for the control of dust and noise; (b) compliance with public awareness (communication) measures about the Project and the handling of complaints and the appropriate coordination with the Town and Country Development Planning Office; in order to reflect compliance with the Environmental and Social Safeguards applicable to CAF Operations, with which the Borrower confirms that it is familiar.

The Semi-Annual Reports must include a water quality report from the Bowmanston catchment, being the first report to present the baseline. In the semi-annual report to be submitted within sixty (60) days following July 1, include the Audited Financial Statements of the BWA of the previous effective year.

Any relevant variation to the Procurement Plan must be communicated to CAF through these semi-annual reports.

4. In the event there are changes to the already identified environmental impacts, indicate the necessary adjustments to be made and the relevant required approvals for the same.

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5. Evidence, no later than six (6) months from the date of the first disbursement, of having hired an entity of recognized reputation to perform the external financial audit of the Project.
6. Annually, once the first disbursement has been made, and within the first one-hundred and twenty (120) days of the fiscal year, submit an external audit report of the Project, based on the following aspects: (i) the acceptable use of the resources of the CAF Loan, including an audited opinion of the Project's financial statements, (ii) compliance with the contractual clauses of the work contracts and external supervision, and (iii) the contracting procedures used based on the provisions in the Loan contract and in the local legislation.
7. Other reports. The Executing Agency must deliver any other specific report that CAF reasonably requests during the execution of the Project.

Within one hundred and eighty (180) days of having disbursed the entire loan, submit:

A Final Report, including: (i) a summary of the results attained, level of fulfilment of the objectives and the impact of the Project based on the results indicators set out in the Initial Report; (ii) management of the critical aspects identified by CAF and other relevant documents identified by the Executing Agency; and (iii) copies of the provisional and final delivery-receipt certificates, in accordance with the BWA, as Executing Agency of the executed works.

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 sixty (60) 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 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 sixty (60) months 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 seventy-five percent (1.75%); 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.

If the Effective Date of this Loan Agreement occurs after June 26, 2019, the Borrower hereby agrees and irrevocably approves the new applicable financing applicable to the interest rate to be established by CAF and notified to the Borrower in writing upon such Effective Date.

ARTICLE 9. Compensatory Financing

During the first eight (8) years from the Effective Date of this Loan Agreement, CAF will finance up to ten (10) 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.

If the Effective Date of this Loan Agreement occurs after June 26, 2019, the Borrower hereby agrees and irrevocably approves the new applicable financing applicable to the interest rate from the CFF to be established by CAF and notified to the Borrower in writing upon such Effective Date.

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 December 26, 2019, 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.

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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 December 26, 2019, 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 US Dollars (USD 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 US 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, Economic Affairs and Investment
Government Headquarters
Bay Street
St. Michael, Barbados
Email address: BarbadosLoans@gob.bb
Facsimile: + (246) 535-5630

For CAF

Mailing address:

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

With a copy to:

Director Representative
CAF-TRINIDAD AND TOBAGO
8th Floor Albion Plaza Energy Centre
22-24 Victoria Avenue
Port of Spain,
Republic of Trinidad and Tobago
Email gleoncini@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.

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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 that the Loan Agreement has been executed and delivered by both Parties hereto (the "Effective Date"). This Loan Agreement will replace any and all prior agreements entered into between the Parties in connection with the Project..

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. Recognition of Expenses

The Borrower and / or the Executing Agency may manage with CAF, the recognition of investments and eligible expenses incurred during the period between July 25, 2016 (date of the loan application) and the compliance date of the conditions precedent to the first disbursement, to be charged against the Loan, in accordance with the Project's budget. The total amount of the recognition of investments and expenses may not exceed twenty percent (20%) of the total financing.

ARTICLE 21. Annexes

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

Annex A : General Conditions
Annex B : Project Description

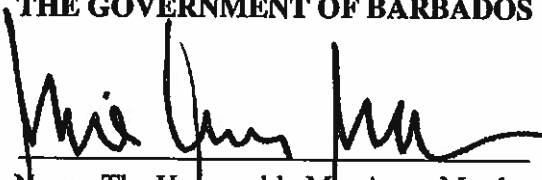
If any provision of the Special Conditions or the Annex B (*Project Description*) should present any inconsistency or contradiction with the Annex A (*General Conditions*), the provisions of the Special Conditions or the Annex B (*Project Description*) - shall prevail.

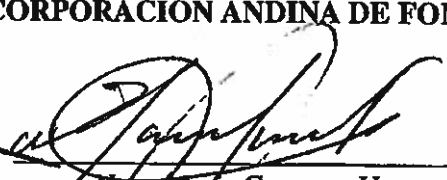
In the case of inconsistencies or contradictions between the provisions of the Special Conditions and the provisions of Annex B (*Project Description*), more specific provisions shall prevail over more general provisions.

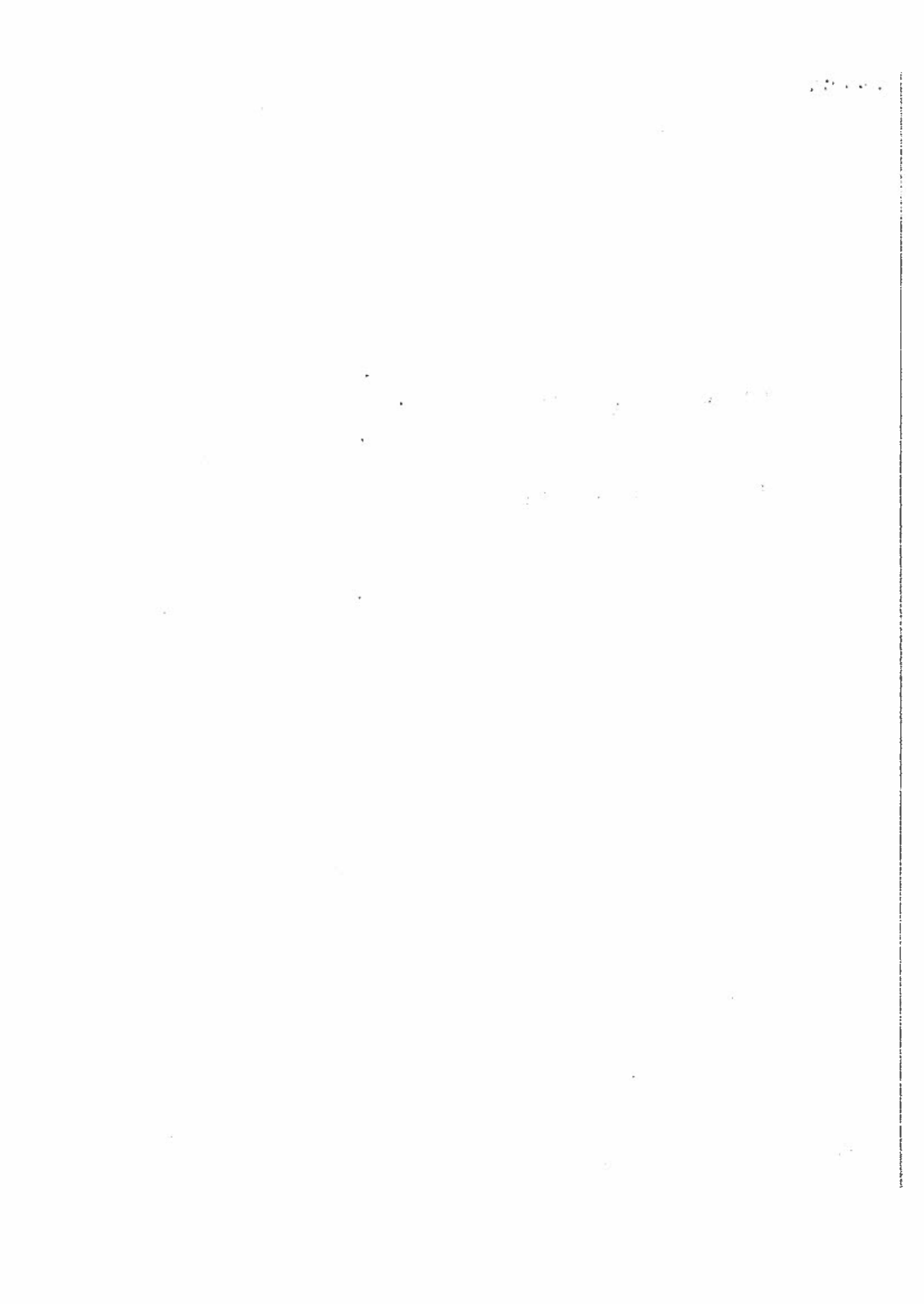
IN WITNESS WHEREOF, CAF and the Borrower, acting through their authorized representatives, have signed this Loan Agreement, in two (2) equally authentic copies in on the date written below their respective signatures.

THE GOVERNMENT OF BARBADOS

CORPORACIÓN ANDINA DE FOMENTO


Name: The Honourable Mia Amor Mottley
Title: Prime Minister and Minister of Finance,
Economic Affairs and Investment
Date: 12/24/ 2019


Name: Luis Carranza Ugarte
Title: Executive President
Date: 12/20/2019



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.

US 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.

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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 US 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 US 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.

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- 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:

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(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 US Dollars (USD 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 five hundred thousand US Dollars (USD 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 US Dollars (USD 500,000.00) each.

(e) **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 fulfil 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 fulfilment 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.

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(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 instalments of principal due under the Loan.

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SECTION 10. Prepayments

The Borrower may only prepay one or more of the outstanding instalments of principal under the Loan, if: (i) the prepayment is made on an Interest Payment Date following the first (1st) 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 instalments 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 Project and any others arising from the prepayment, as determined by CAF; and (b) the applicable prepayment fee in accordance with the following chart:

Year of Prepayment <i>(to be calculated from the date of entry into effect of the Loan Agreement)</i>	Prepayment Fee <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 instalments 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 instalments 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.

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- (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 Project.
- (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 Project

The Borrower, directly or through the Executing Agency, undertakes to execute the Project 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 Project, 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 Project

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 Project, shall require the written consent of CAF.

If during the execution of the Project an increase in the estimated cost of the Project (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 Project. 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.

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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 Project.

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

For the acquisition of goods estimated to cost one million five hundred thousand US Dollars (USD 1,500,000.00) or more, and for the procurement of works and related services in amounts estimated to cost six million US Dollars (USD 6,000,000.00) or more, the Executing Agency shall carry out an international public bidding procedure. For the acquisition of goods estimated to cost less than one million five hundred thousand US Dollars (USD 1,500,000.00) and the procurement of works and related services in amounts estimated to cost less than six million US Dollars (USD 6,000,000.00), the Executing Agency shall apply procedures previously authorized by CAF in writing.

For the procurement of consulting services estimated to cost seven hundred fifty thousand US Dollars (USD 750,000.00) or more, the Executing Agency shall carry out an international public bidding procedure. For the procurement of consulting services estimated to cost less than seven hundred fifty thousand US Dollars (USD 750,000.00), 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 Project and of each project or activity executed under the Project.

The Borrower shall authorize CAF to review all books and records related to the Project 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 Project 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 Project; 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 Project.

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 Project 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 Project 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 Project, 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

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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

PROJECT DESCRIPTION

"BARBADOS POTABLE WATER INFRASTRUCTURE REHABILITATION PROJECT"

A. BACKGROUND

Barbados belongs to the group of water-scarce countries in the world, according to the United Nations Food and Agriculture Organization (FAO), as its availability of water resources is less than 390 m³ per capita-year. All the water stock is underground; so, the availability of water depends on the rate of recharge of the aquifer. In extensive periods of drought the water resource is reduced, causing prolonged water outages.

The entity responsible for providing potable water and sewerage services is the Barbados Water Authority (BWA), which supplies potable water to around 100,000 household connections that supply more than 280,000 inhabitants. Potable water coverage is almost 100%. Sewerage coverage, which is serviced by 2 wastewater treatment plants in (Bridgetown and South Coast), is less than 15%.

The main sources of water for human consumption are the underground aquifer, from 20 operative wells and 2 springs, which produce approximately 35 million imperial gallons of drinking water per day (1.8 m³ / s). The quality of the water from the aquifer is good, so the disinfection is carried out directly in the wells by means of chlorine gas. The non-revenue water is estimated at 43%, which comprises 7% of commercial losses and 36% of physical losses.

The water distribution network which is approximately 2,500 km in length, consists of pipes ranging in size from 1 to 20 inches (1" to 20"). Approximately 85% of this network is ductile iron or cast iron, with small amounts of polyvinyl chloride or high-density polyethylene. Approximately 72% of all pipelines in the network vary from 3 inches to 6 inches (3" to 6") in diameter. A large part of this infrastructure dates back to 1850; and as a result of its age, the system experiences a high rate of prolonged disruptions and incrustations. This is in the range of 29 to 59 per 100 km per year, which affects the supply and decreases the quality of the service. In the last quarter of 2015 and in 2016, some District Metered Areas (DMAs), in the high areas of the island, experienced prolonged service interruptions.

The potable water supply system also comprises 27 reservoirs and tanks; and 38 pumping stations whose useful life has been exceeded. Currently, some reservoirs experience infrastructural failures which in turn impacts their stability. The main faults are cavities and

cracks in the columns and walls, loss of mortar in the joints, corroded steel, among others. Similarly, tanks have flaws, such as leaks, malfunctioning valves, damaged level sensors, cracks and gaps in the ceilings and walls.

Likewise, the buildings where the pumping stations are located present different types of deficiencies, both inside and outside. In general, they have cracks, leaks, structures in poor condition or vandalized, among other faults. The Master Plan for the Water and Sanitation Sector was developed in 1978 and updated in 1997.

B. OBJECTIVES OF THE PROGRAM

The Barbados Potable Water Infrastructure Rehabilitation Project aims to support sector planning and improve the quality, reliability and efficiency of Barbados' potable water systems and to formulate a strategy for the sector of Potable Water and Sanitation, through a Master Plan. This will be achieved through the completion of pre-investment studies, the rehabilitation and optimization of existing infrastructure and the reduction and control of non-revenue water. It is estimated that approximately 82,000 people will benefit from this project.

C. LOCATION AND AREA OF INFLUENCE OF THE PROJECT

The Project covers part of the urban area of Barbados, being the most affected by water shortages, those located at higher elevation sections of the island (in the northern part), so it is expected to positively affect the residents settled in this area.

D. DESCRIPTION OF THE PROJECT

The Project comprises three (3) components, as follows:

(i) Pre-Investment

This component will be financed by CAF and consists of the formulation of the Master Plan for Potable Water and Sanitation (MPPWS). The scope of which will take into consideration, among other aspects, the strategies and an investment plan for the Potable Water and Sanitation services of Barbados for the next 5 years; the design of wastewater treatment plants and the possibility of reuse of the treated water to recharge the aquifer and the evaluation of its environmental impact.

Additionally, it is expected that the MPPWS will be complemented by the Storm Water Management Plan – “Adaptation measures to counter the effects of climate change, with a focus on water resource management and flood resilience”. This was developed by the Ministry of Environment and National Beautification (formerly known as Ministry of

Environment and Drainage). and it is hoped that in the future these plans will be integrated into a single Master Plan for Potable Water, Sanitation and Urban Drainage.

(ii) Investment

This component includes the rehabilitation of the tanks and reservoirs of potable water and the infrastructure of the pumping stations, the installation of power generators for the latter, the upgrade of existing potable water networks and mains, the cleaning of the Bowmanston well, the installation of cranes at three of the pumping stations and the rehabilitation of wastewater treatment plants. The subcomponents are:

- a) **Tanks and reservoirs.** Through this subcomponent, rehabilitation and maintenance works will be carried out in tanks and reservoirs. The studies and designs of this subcomponent will be prepared by the supervisory company. Preliminarily the following were selected: Ashton Hall, Bowmanston, Castle Grant, Cave Hill, Lamberts, Lodge Hill and Rock Hall.
- b) **Pumping stations.** In a preliminary way, the stations that required intervention are: Alleynedale, Lamberts, Lodge Hill, Molyneux, Belle and Bowmanston. The studies and designs of this subcomponent will be prepared by the supervisory company. Likewise, an energy generator will be installed in the New Market pumping station.
- c) **Bowmanston catchment.** This sub-component consists of the implementation of corrective measures to eliminate the adverse impact of turbidity on the water captured from the Bowmanston catchment especially during the rainy season. These measures include the cleaning of the reservoir of the catchment, the removal of the sediment existing in the pumping pool and improvements to the rockfill dam.
- d) **Potable Water distribution networks.** It is estimated that approximately 16 km of 4 and 6-inch (4" and 6") networks will be replaced, benefiting approximately 12,000 people. The supervision of the project includes the final design of the distribution networks to be completed.
- e) **Wastewater treatment plants.** This subcomponent refers to equipment upgrades for the Bridgetown and South Coast Wastewater treatment plants.
- f) **Installation of cranes.** Gantry cranes will be installed at the Belle, Hampton and Alleynedale pumping stations to improve the health and safety practices and efficiency in the maintenance and removal of well pumps.

If the BWA should modify any of these works or include new ones, it must be in conformity with the eligibility criteria established in the Project Operations Manual (POM).

- (iii) **Institutional strengthening and project management:** This component comprises the supervision and administration of the Project and the financial audit of the Project.

E. FUNDING OF THE PROJECT

The total cost of the Project is estimated at USD 28.09 million. It will be funded by three sources: (i) Up to USD10 million will be financed by CAF loan, (ii) USD 12 million by other financing source to be determined by the Barbados Government and (iii) and USD 6.09 million by the Barbados Government contributions (see Table 1).

Table 1. Preliminary table of uses and sources of funds
(Figures in millions of US Dollars)

Components	Total	CAF	Other source	Local Counterpart
1. Pre-Investment	2.38	2.00	0.00	0.38
Potable Water and Sanitation Master Plan and the revision of the Urban Drainage Master Plan.	2.38	2.00	0	0.38
2. Investment	21.49	6.205	11.00	4.29
2.1 Repairs to storage tanks and potable water reservoirs	4.22	3.205	0.00	1.01
2.2 Repair, reconstruction and modernization of the infrastructure of pumping stations	3.03	2.30	0.00	0.73
2.3 Replacement of potable water mains	11.08	0.00	9.00	2.08
2.4 Rehabilitation Wastewater treatment plants	2.06	0.00	1.75	0.31
2.5 Bowmanston catchment improvement	0.82	0.70	0.00	0.12
2.6 Installation of cranes	0.29	0.00	0.25	0.04
3. Management and Institutional Strengthening	4.13	1.70	1.00	1.43
3.1 Project Management and Administration	1.73	0.70	0.00	1.03
3.2 Project Supervision	2.05	0.70	1.00	0.35
3.3 External Audit	0.35	0.30	0.00	0.05
4. Commission fees and Evaluation costs	0.095	0.095	0.00	0.00
4.1 Commission fees and Evaluation costs*	0.095	0.095	0.00	0.00
Total	28.09	10.00	12.00	6.09

Source: BWA, CAF

(*)The financing commission and the evaluation expenses will be financed from the loan proceeds and will be deducted from the amount of the first disbursement.

F. ESTIMATED DISBURSMENT SCHEDULE

Schedule. It is estimated that the execution of the project will take approximately 3 years, but a period of disbursements of up to four (4) years has been envisaged. The tentative timetable for disbursements is presented in Table 2.

**Table 2. Tentative schedule of disbursements
(Figures in millions of USD)**

Year	1	2	3	4	Total
CAF Loan	1.00	3.50	3.50	2.00	10.00

Source: CAF/BWA

G. EXPECTED RESULTS OF THE PROJECT

In order to facilitate the follow up and systematic monitoring of the Project, CAF and BWA agreed to measure and maintain the values of the indicators summarized in Table 3.

Table 3. Monitoring and Supervision matrix

Components	Units	Base Line	Indicators Disbursement Period					Medium of verification
			Year 1	Year 2	Year 3	Year 4	Goal	
1. Pre – Investment component								
1.1 Water and Sanitation Master Plan	Unit	0		30%	60%	10%	1 Master Plan	Water and sanitation Master Plan
2. Investment Component								
2.1 Repair and reconstruction of storage tanks and drinking water reservoirs	Unit	0		3	3	1	7	Report - Storage tanks and reservoirs repaired
2.2a Repair, reconstruction and modernization of the infrastructure of the pumping stations (pumping stations)	Unit	0		3	3		6	Report - Pumping stations upgraded
2.2b Repair, reconstruction and modernization of the infrastructure of the pumping stations (power generator infrastructure)	Unit	0		1			1	Report - Generator and transformers installed
2.3 Mains Replacement	Km	0		12	4		16	Report - Mains replaced
2.4 Rehabilitation Wastewater treatment plants	Percentage of completion	0		50%	50%		Installation of equipment completed	Report - Wastewater treatment plants equipment
2.5 Bowmanston catchment improvement	Percentage of completion	0		50%	50%		Dam built and catchment cleaned	Water quality report
2.6 Installation of cranes	Percentage of completion	0	0	100%	0		Cranes installed and operational	Report - crane installation

Components	Units	Base Line	Indicators Disbursement Period					Medium of verification
			Year 1	Year 2	Year 3	Year 4	Goal	
3. Management and Institutional Strengthening								
3.1 Investment Designs	Percentage of completion	0	100%				Studies and designs of the components of the Project	Approved design reports
4. Project Results								
4.1 Number of service interruptions in the mains replacement areas due to bursts	Unit	75	75	63	55	50	50	- Report on burst mains and service shutdowns
4.2 Reduction in Non-Revenue Water (NRW)	Reduction Percentage	43%		42.5%	41.5%	41%	41%	NRW Report

Source: BWA, CAF

H. Project implementation Scheme

The Barbados Water Authority (BWA) is a statutory public institution that falls under the Ministry of Energy and Water Resources. It was established by an Act of the legislature on October 8, 1980 to replace the Waterworks Department of Government.

The BWA began operations on April 1, 1981 and is the entity responsible for the potable water supply service to the island, as well as the provision of wastewater collection, treatment and disposal services and the management of the sewered areas of Bridgetown and the South coast. BWA is also responsible for the monitoring, evaluation, control and protection of the country's water resources.

The Project will be executed by the BWA, through the Project Management Office (PMO). The PMO was created at the beginning of 2017 and has the objective of facilitating the

management and/or supervision of projects. The PMO has personnel; however, additional temporary personnel will be hired as needed, depending on the demand of the projects that are being implemented.

The project will be managed by a ProjectManager, who will be responsible for managing, organizing, planning, coordinating and monitoring all the project activities. The Project Manager will also ensure that the components are carried out in accordance with the loan agreement signed with CAF. In addition, for the implementation of the Project, personnel dedicated exclusively to the project will be hired and financed with loan resources.

The PMO will be responsible for the planning, execution and monitoring of the project activities and will be in charge of reporting to CAF the progress of the execution of its components. It will also be responsible for ensuring compliance with contractual conditions, which includes the development of a Project Operations Manual (POM) and the submission of disbursement requests and the relevant supporting documentation in justification of same.

The PMO will hire an external independent firm of recognized experience for the technical supervision. This firm, in addition to monitoring the execution of the works, will support the preparation of the studies and specifications and will accompany the BWA during the bidding process.

Likewise, the PMO will hire an independent consulting firm of recognized experience to formulate the Project's Environmental and Social Management and Monitoring Plan (ESMMP) and undertake the Project's environmental and social supervision, including compliance with the ESMMP by the work contractors.

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