

LOAN CONTRACT No. 1929/BL-GY

between the

CO-OPERATIVE REPUBLIC OF GUYANA

and the

INTER-AMERICAN DEVELOPMENT BANK

Agricultural Export Diversification Program

April 6, 2008

LOAN CONTRACT

SPECIAL CONDITIONS

INTRODUCTION

Parties, Purpose, Constituent Elements, and Executing Agency

1. PARTIES AND PURPOSE OF THE CONTRACT

CONTRACT entered into on April ____, 2008, between the CO-OPERATIVE REPUBLIC OF GUYANA (hereinafter referred to as the "Borrower") and the INTER-AMERICAN DEVELOPMENT BANK (hereinafter referred to as the "Bank") to finance the execution of an Agricultural Export Diversification program (hereinafter referred to as the "Program"), the objective of which is to contribute to the increase of Guyana's export growth rate and reduce its volatility. Its purpose is to establish services and institutions for a sustainable increase in the income derived from the export of non-traditional agricultural exports in the aquaculture, fruits and vegetables, and livestock subsectors; enhancing the protection of domestic consumers from illness, and domestic production from disease and contamination.

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

(a) This Contract consists of these Special Conditions, the General Conditions, and the Appendix, which are attached hereto. If any provision of the Special Conditions should present any inconsistency or contradiction with the General Conditions, the provisions of the Special Conditions shall prevail.

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

3. EXECUTING AGENCY

The parties agree that the execution of the Program and the utilization of the resources of the financing from the Bank shall be carried out by the Borrower, through its Ministry of Agriculture ("MOA"), which for the purposes of this Contract shall be referred to, without distinction, as either the "Executing Agency" or "MOA". The Borrower, through the Executing Agency, undertakes to fulfill all the obligations set forth in this Contract.

CHAPTER I

Costs, Financing and Additional Resources

SECTION 1.01. Cost of the Program. The total cost of the Program is estimated to be the equivalent of twenty one million and nine hundred and nineteen thousand dollars of the United States of America (US\$21,919,000). Unless otherwise stated in this Contract, the term "dollars" hereinafter signifies the currency of legal tender in the United States of America. The Appendix to this Loan Contract includes the Program's budget with the distribution by investment categories and source of financing.

SECTION 1.02. Amount of the Financing. (a) In accordance with this Contract, the Bank agrees to grant to the Borrower, and the Borrower accepts, a "Financing", composed as follows:

- (i) up to the amount of ten million four hundred and fifty thousand dollars (US\$10,450,000) chargeable to the resources of the Single Currency Facility of the ordinary capital resources of the Bank, hereinafter the "Ordinary Capital Financing"; and
- (ii) up to the amount of ten million four hundred and fifty thousand dollars (US\$10,450,000) chargeable to the resources of the Fund for Special Operations, hereinafter the "Fund for Special Operations Financing".

(b) The amounts disbursed from the Financing shall constitute the "Loan".

SECTION 1.03. Additional Resources. The amount of the additional resources which, pursuant to Article 6.04 of the General Conditions, the Borrower shall undertake to contribute in a timely manner for the complete and uninterrupted execution of the Program, is estimated to be the equivalent of one million nineteen thousand dollars (US\$1,019,000), although this estimate shall not imply any limitation or reduction of the obligation of the Borrower under said Article. To compute the equivalency in dollars, the rules set forth in Article 3.06(b) of the General Conditions shall be followed.

CHAPTER II

Amortization, Interest, General Inspection and Supervision and Credit Fee

SECTION 2.01. Amortization. (a) The Loan shall be completely repaid by the Borrower as set forth in Article 3.01 of the General Conditions.

(b) **Ordinary Capital Financing.** The first repayment installment of the portion of the Loan disbursed against the Ordinary Capital Financing shall be paid six (6) years from the date of signature of this Contract and the last installment shall be paid no later than thirty (30) years from the same date.

(c) **Fund for Special Operations Financing.** The portion of the Loan disbursed against the Fund for Special Operations Financing shall be repaid in one single installment forty (40) years from the date of signature of this Contract.

SECTION 2.02. Interest. (a) **Ordinary Capital Financing.** Interest payable on the portion of the Loan disbursed against the Ordinary Capital Financing shall accrue on the daily outstanding balances of such portion of the Loan and shall be at a rate determined pursuant to Article 3.04(a) of the General Conditions for a Single Currency Facility loan with an adjustable interest rate. The Bank shall notify the Borrower of the rate of interest applicable during each Semester, as soon as practicable after the determination thereof.

(b) **Fund for Special Operations Financing.** Interest payable on the portion of the Loan disbursed against the Fund for Special Operations Financing shall accrue on the daily outstanding balances of such portion of the Loan at the rate set forth in Article 3.04(b) of the General Conditions.

(c) Interest shall be payable semiannually beginning six (6) months from the effective date of this Contract.

SECTION 2.03. Resources for General Inspection and Supervision. The Borrower shall not be required to cover the Bank's expenses for general inspection and supervision of the Financing, except if the Bank determines otherwise in respect to the Ordinary Capital Financing, as a result of its semiannual review of financial charges applicable to its operations financed with the Single Currency Facility of the Ordinary Capital, and the Borrower is notified by the Bank in this regard. In such event, the Borrower shall pay the Bank directly the corresponding amount, in dollars, during the disbursement period and on the dates on which interest payments are due. Under no circumstance shall there be a charge for this purpose in any semester, which is greater than the amount, which results from applying 1% to the amount of the Ordinary Capital Financing, divided by the number of semesters included in the original disbursement period.

SECTION 2.04. Credit Fee. The Borrower shall pay on the undisbursed balance of the Ordinary Capital Financing, a credit fee of 0.25% per annum pursuant to the provisions set forth in Article 3.02(a) of the General Conditions. This percentage may be modified by the Bank on a semiannual basis, provided that, under no circumstance, may it exceed the percentage contemplated in the above-cited Article.

CHAPTER III

Disbursements

SECTION 3.01. Currencies of Disbursement of the Financing. The amount of the Financing shall be disbursed in dollars chargeable to the resources of the Single Currency Facility of the ordinary capital resources of the Bank, in the case of the Ordinary Capital Financing, and to the Fund for Special Operations in the case of the Fund for Special Operations Financing.

SECTION 3.02. Currency Availability. (a) Notwithstanding Sections 1.02(a) and 3.01 hereof, if the Bank is unable to obtain access to the agreed upon Single Currency to make disbursements as established in Article 4.04 of the General Conditions, the Bank, in consultation with the Borrower may disburse in any other Single Currency of its choice, until such time as it is able to regain access to the agreed upon Single Currency.

(b) If pursuant to section 3.02(a) above, the Bank disburses in a Single Currency that is not the agreed Single Currency, the financial charges for the Ordinary Capital Financing shall be those which correspond to such Single Currency, while financial charges for the Fund for Special Operations shall remain unchanged.

SECTION 3.03. Special Conditions Prior to First Disbursement. In addition to the conditions precedent stipulated in Article 4.01 of the General Conditions, the first disbursement of the Financing shall be subject to the fulfillment, to the satisfaction of the Bank, of the following requirements:

- (a) The Ministry of Agriculture has hired a Projects coordinator, an agricultural health and food specialist, a procurement specialist, a monitoring and evaluation specialist to the Agricultural Sector Development Unit ("ASDU"), and appointed as part of the Steering Committee of the ASDU a representative of the Ministry of Health, in accordance with the terms of reference previously agreed upon between the Executing Agency and the Bank;
- (b) The National Coordinating Committee for Sanitary and Phytosanitary Matters has been created, its members appointed and its rules of procedure have been approved. The Steering Committee shall consist of senior technical representatives from all health units from the Ministry of Agriculture and the Ministry of Health related to the Program, Guyana National Bureau of Standards ("GNBS"), the Ministry of Finance, members from the private sector and the ASDU; and
- (c) The Operating Regulations Manual for the Program has entered into effect.

SECTION 3.04. Special Conditions Prior to the Disbursement of the Financing for Components I and III. In addition to the conditions precedent stipulated in Article 4.01 of the General Conditions and in Section 3.03 of these Special Conditions, the disbursement of the Financing for Components I and III of the Program shall be subject to the fulfillment, to the satisfaction of the Bank, of the following requirement: the Executing Agency has hired a specialized agency or consulting firm for each of Component I and III, in order to carry out the implementation of the activities set forth in said components.

SECTION 3.05. Special Disbursement. Notwithstanding the provision set forth in Section 3.03 of these Special Conditions, after this Contract has entered into effect, and the Borrower has complied with the conditions precedent set forth in the General Conditions of this Contract, the Bank may disburse to the Borrower up to the amount of five hundred thousand dollars (US\$500,000) chargeable to the Financing, in order to help the Executing Agency to comply with the special conditions prior to first disbursement set forth in Sections 3.03 and 3.04 of these Special Conditions.

SECTION 3.06. Reimbursement of Expenditures Chargeable to the Financing. With the consent of the Bank, resources of the Financing may be used to reimburse expenditures incurred or to finance those that may be incurred in the Program on or after December 5, 2007 and up to the effective date of this Contract, provided that requirements substantially similar to those set forth in this Contract have been fulfilled.

SECTION 3.07. Disbursement Period. The period for final disbursement of the resources of the Financing shall expire five (5) years from the effective date of this Contract.

SECTION 3.08. Revolving Fund. (a) For the purposes of the provisions set forth in Article 4.07(b) of the General Conditions, the amount of the Revolving Fund shall not exceed five percent (5%) of the amount of the Financing.

(b) The reports on the execution of the Program, which the Borrower, through the Executing Agency, shall submit to the Bank, in accordance with Article 7.03(a)(i) of the General Conditions, shall include the financial-accounting information about management of the Revolving Fund resources, upon request by the Bank.

CHAPTER IV

Description of the Program and Use of Financing Funds

SECTION 4.01 Use of Financing Funds. The resources of the Financing shall only be used for payments of goods and services and for such other purposes as are indicated in this Contract, including the provisions of Section 4.02 hereof. Goods and services shall originate in the member countries of the Bank and shall be acquired pursuant to the procedures set forth in this Contract.

SECTION 4.02. Program Activities. In order to achieve the objective and purpose of the Program referred to in paragraph 1 of the Introduction of these Special Conditions, the resources of the Financing shall only be used to undertake the activities comprised in the following Program components: (i) Promotion of Private Sector Entrepreneurship ("PSE") in Agribusiness: the objective of this component is to foster initiatives to enhance entrepreneurship capabilities in the agribusiness cluster, and to support the implementation of institutional arrangements for promoting and managing the agricultural diversification strategy; (ii) Improving the Capabilities of Agribusiness Export and Facilitation Services ("AES"): the objective of this component is to support agribusiness through delivering regulatory and public services, such as technology adaptation and transfer, and market information; (iii) Strengthening and Consolidating Agricultural Health and Food Safety Services ("AHFSS"): the objective of this component is to improve the effectiveness of the animal health, plant health and food safety systems; and (iv) Drainage and Irrigation Rehabilitation ("DIR"): the objective of this component is to rehabilitate one primary and secondary D&I system that is suitable for agricultural diversification purposes.

Component I: Private Sector Entrepreneurship into Agribusiness - PSE

(a) Promotion and consolidation of agribusiness

1. This subcomponent aims at supporting the establishment of Working Groups ("WGs") and the execution of activities for the promotion and consolidation of three agribusiness clusters: (i) vegetable and fruits; (ii) livestock; and (iii) aquaculture. Under this subcomponent, WGs will prepare and present to the Executing Agency with the support of an international agency or specialized consulting firm, the following: (a) strategic plans for each cluster; (b) annual operating plans; (c) identification of the activities to be carried out under Component II; (d) technical notes addressing specific issues to foster the cluster's business climate; and (e) quality of services surveys to assess the performance of the services provided under the Program. During the first year of Program execution, Bank's resources will finance the costs associated to the establishment and functioning of the WGs, including managerial needs, office rent, office supplies, accounting services, training, and logistic services. After the first year of Program execution, said costs will be gradually assumed by the WGs pursuant to the specifications and guidelines set forth in the Operating Regulations Manual of the Program.
2. Program resources will also finance the provision of public ("club") goods necessary for the implementation of the Strategic Plans for each cluster. Main activities to be financed are: (a) Training and Knowledge Sharing aimed at small groups of farmers; (b) Technical Assistance provided by technicians actually involved in the export process; (c) Market Discovery whereby potential buyers in importing countries are identified, and business arrangements among these buyers and Guyanese exporters are facilitated; (d) Research and Development ("R&D") Partnerships whereby a group of farmers and exporters from each cluster form a partnership with the National Agricultural Research Institute ("NARI"); (e) Technological Missions aimed at upgrading agribusiness processors and farmers' knowledge of modern technologies by organizing group visits to producing areas in countries with similar growing conditions; and (f) Quality Improvement Program that will enhance food quality by introducing Hazard Analysis and Critical Control Point ("HACCP") and quality assurance protocols. The Program will finance, among other activities, the following: training, consulting services, and agricultural supplies.

(b) Supporting the implementation of agribusiness plans

3. The purpose of this subcomponent is to support WG members in: (i) preparing their agribusiness plans; and (ii) providing financial support for their implementation. Eligible projects must be focused on a non-traditional market opportunity within the selected clusters.

- (i) Preparation of Agribusiness Plans: The Program will co-finance on a nonreimbursable basis, up to fifty percent (50%) of the costs associated to consulting services needed to prepare the agribusiness plans. Said financing will not exceed in any case more than three thousand dollars (US\$3,000) per plan. In order to be eligible for financing, the following criteria should be met: (a) being a member of the cluster's Working Group; and (b) submit a letter of intention to the Cluster Manager with a profile of the proposed agribusiness plan. The Operating Regulations Manual of the Program sets forth the parameters, guidelines and mechanism for the disbursement of resources of the Financing allocated for this activity.

- (ii) Implementation of Agribusiness Plans: The Program will co-finance services required for the actual implementation of selected agribusiness plans to cover up to thirty percent (30%) of the project costs with an individual cap of fifty thousand dollars (US\$50,000) for fruits & vegetables, eighty thousand dollars (US\$80,000) for livestock and one hundred and twenty thousand dollars (US\$120,000) for aquaculture. This percentage may be revised by the parties during Program's execution; however, any change to this percentage will require the prior-written consent of the Bank. The business plans may be presented by individual farmers, or farmer associations. Agricultural producers must be able to demonstrate that: (a) have binding contracts with agro-processors and exporters, whereby all services needed to complete the export transaction will be provided; and (b) are legally holders of the farm where the business plan will be developed. Preference will be given to business initiatives that are innovative and show a higher payoff. Disbursements will be made on a case by case basis as follows: (i) twenty percent (20%) at the signing of a contract between the beneficiary and the Agricultural Sector Development Unit ("ASDU") to conduct and implement the approved agribusiness plan; (b) forty percent (40%) after compliance of intermediate benchmarks, clearly established in said contract, related to the achievement of relevant milestones for the implementation of the agribusiness plan, such as on-farm investment completed, all areas with new varieties under cultivation, or successful trial export achieved; and (c) forty percent (40%) after achievement of actual export results established as goals in the contract. Specifications are set forth in the Operating Regulations Manual for the Program. Additionally, benchmarks will be subject to verification through inspections by the Bank and submission of relevant documents by the beneficiaries.

(c) Private Sector Participation in Agribusiness Facilities

4. The design, construction, equipment, and operation for a basic abattoir will be financed by the Program. The basic abattoir will be built to serve the minimum economic and efficient scale of 12,000-slaughtered heads/year.

Component II. Agribusiness Export and Facilitation Services

5. This component will focus on strengthening public services needed to support the selected agribusiness productive clusters, specifically: (a) technology development and transfer; (b) market access services; and (c) access to land.

(a) Support to technology development and transfer

6. The objective of this subcomponent is to furnish the NARI and the National Dairy Development Programme ("NDDP") with the ability to acquire, disseminate, and serve as repository for the genetic material introduced into the country, the relevant technologies, and best production practices needed to develop the clusters as requested by the WGs supported under Component I.
7. The strengthening for NARI will be concentrated in: (a) Technology appropriation, transfer & dissemination: The Program will support NARI in: (i) accessing bilateral and multilateral research organizations and networks; (ii) implementing a database that will disclose the results obtained from the research and information collected; (iii) rehabilitating its library; and (iv) disseminating capabilities for training to public extension officers of the MOA, agricultural educational institutions and private technical assistance providers; and (b) Germoplasm conservation & basic seed multiplication. The objective is to ensure that the genetic material that is imported keeps its physiological quality and it is multiplied under optimal conditions that will allow its distribution to all interested producers. Program resources will finance the rehabilitation and the acquisition of the equipment for NARI's seed laboratory and warehouse facilities. Although, the technical responsibility for the basic seed production is with NARI, production, if necessary, will be carried out under contract with private producers such as those under the R&D Partnerships.
8. The strengthening for NDDP will be concentrated in: (a) Cattle genetic improvement with emphasis in beef production: The Program will support the NDDP in: (i) improving beef cattle herds; (ii) organizing, maintaining, and posting a database with the information regarding the introduced and tested technological packages; (iii) providing insemination services or transfer of embryos to ranchers; and (iv) disseminating the combination of improved pastures and improved beef cattle animals; (b) Establishment and maintenance of a genetic bank to improve beef and dairy cattle: The Program

will support NDDP in: (i) the design, implementation and operation of a system for following up the zootechnical parameters from the offspring inseminated with imported semen or implanted with embryos. The data bank will help identify and select cows and bulls that will contribute to the establishment of a germplasm bank with improved characteristics like reproductive efficiency, carcass yield, precocity and high weight gain that will enhance future Guyanese beef cattle herds; and (ii) setting up a laboratory for the collection and processing of semen from the germplasm bank and transferring the technology to all interested ranchers, and to help preventing reproductive diseases. The Program will also finance the following activities: scientific information services; training; media campaigns targeted to farmers; and office supplies; among others.

(b) Business Facilitation

9. Market Access Services: The Program will assist on drafting market access protocols between Guyana and its trading partners, and on overcoming technical barriers to agro-exports. A simple market network will be designed and implemented for connecting local officers and producer organizations to provide them with business opportunities, and market information.
1. Land Access for Potential Investors: Technical assistance will be provided to the Guyana Lands and Surveys Commission ("GLSC") and Go-Invest for strengthening investment promotion processes and public land administration aimed at increasing the availability and use of suitable land for 'greenfield' investments in livestock and agribusiness sectors.
11. Greenfield Investment Opportunity Promotion System: the following activities will be supported: (i) development of public land databases in GIS format, including information on: land tenure; soil capacity; hydrology; forest and vegetation cover and infrastructure; (ii) a streamlined public land lease application for a pilot program for allocating relatively large land plots, approved and operative; (iii) a computerized Public Land Investment Opportunity Promotion System for identifying and promoting Public Land available for agribusiness investment developed and implemented with multi-institutional user network; (iv) public agencies' users trained in the use of land information systems; (v) a Public Land Lease application tracking system developed and implemented; and (vi) campaigns to attract local and foreign private investors.
12. Main items to be financed under this subcomponent are: consulting services, information subscription services, software, and field works.

Component III: Strengthening and Consolidating Agricultural Health and Food Safety Services

13. The purpose of this component is to improve the effectiveness of the animal health, plant health and food safety units of the Ministries of Agriculture and Health, transforming them into an integrated system to protect domestic consumers from illness, and domestic production from disease and contamination while ensuring that Guyana's exports meet international standards. The component is designed to establish and strengthen the system and assure that policy and regulations are coordinated as well as the use of the resources of all institutions concerned. This integrated system will form the basis for the implementation of modern and specialized semi-autonomous agencies. The component will address these needs through the following subcomponents and outputs:

(a) Appropriate policy and coordination mechanisms strengthened

14. Legal framework updated: The Program will finance consulting services to review and update the plant, animal and food safety legislations. In the case of the plant health, the legislation aims to avoid the introduction and spread of exotic pests; to protect plant resources; and to facilitate the export of plants and plant products. It is also necessary to revise the animal and plant health regulations to conform to the World Trade Organization ("WTO's") Sanitary and Phytosanitary (SPS) agreement and draft harmonized legislation and regulations for CARICOM/PAHO. The following regulations will be developed and/or updated: animal movement, eradication campaigns, biological residues, sampling, post mortem inspection, and hygienic practices in abattoirs.
15. Establishment of common working instruments: To accelerate the path to integration, the Program will finance the establishment of a common information and management system for the agricultural and food safety health units.
16. Creation of a semi-autonomous agency for the agricultural health units: The Animal Health Unit, and the Plant Health Unit will be granted semi-autonomous status in order to contribute to the Program's sustainability. Program resources would finance the consulting services necessary to prepare, in collaboration with the Government of Guyana, the appropriate legislation for establishing the agricultural health units as semi-autonomous agencies.

(b) Plant Health strengthened

17. The Program will: (i) inspect commodities legally imported into the country in order to avoid the introduction of exotic plant pests; (ii) conduct surveys

and surveillance for exotic and established pests respectively; (iii) conduct farm certification and verification services prior to export; and (iv) ensure that the agricultural commodities exported do conform to the importing countries phytosanitary requirements, by inspecting them prior to exporting and executing quarantine treatments if required.

18. This subcomponent will address weaknesses in the sub-systems of surveillance, education, and import and export services. Strengthening will be concentrated in: (i) implementation of effective monitoring systems at all ports of entry; (ii) implementation of effective survey and surveillance pest detection and local eradication actions; (iii) provision of information to importers, exporters and general public; and (iv) certification of exported agricultural products.
19. Resources of the Financing will be used to finance the hiring and deployment of technicians; training; acquisition of equipment and supplies; books and subscriptions; consultancies; public awareness campaigns and technical communications; and refurbishing of laboratory facilities and supporting installations.

(c) Animal Health enhanced

2. The Program will help Guyana to: (i) implement projects against foreign animal diseases such as Avian Flu, and ensure a more reliable food supply; (ii) maintain a surveillance system for the lists recognized by the countries of the region; (iii) implement the campaign of prevention, control and eradication of Bovine Tuberculosis and Brucellosis, and declaring areas free of infection; and (iv) protect the population against zoonoses. In addition, it will ensure Guyana's compliance with the basic quality standards/requirements contained in the World Organization for Animal Health ("OIE") standards and the application of SPS measures of the WTO and help Guyana's producers to take advantage of the opportunities offered by open global markets and CARICOM/ CSME.
21. The Program will address weaknesses in surveillance, trace-back, education, laboratory services, disease eradication and control. Strengthening will be focused on: (i) epidemiological surveillance and risk analysis through the establishment of an Epidemiology Unit; (ii) establishment of the Veterinary Diagnostic Laboratory at Mon Repos, which will include civil works rehabilitation, equipment, appointment and training of personnel; and (iii) control over the movement of animals, products and sub-products, through the Inspection and Quarantine Section, the Control of Imports and Exports of Animals, and Agricultural Inputs.
22. This subcomponent will finance the hiring of requisite experts; training; acquisition and deployment of equipment and supplies; books and

subscriptions; implementation of an animal health public awareness campaign; databases and record systems; updating methodologies to bring them up to international standards, manuals to standardize activities; rehabilitation and improvement of facilities; and an Epidemiological Surveillance, Risk Analysis and Livestock Identification System.

(d) Food Safety and Quality Assurance

23. This subcomponent will help the local industry to produce safer foods, increase public awareness of safe food handling and processing techniques, and minimize the incidence and economic impact of food-borne illness outbreaks. It will: (i) promote the participation and fulfillment by the Government of Guyana ("GOG") of existing obligations and those that will be acquired with CARICOM/CSME related to regulations, diagnostic and control laboratories, and vigilance and surveillance systems; (ii) establish an integrated training system that will facilitate both inspection and advice to growers, processors, and packers in Good Agricultural Practices ("GAP"), Good Manufacturing Practices ("GMP") and Hazard Analysis in Critical Control Points ("HACCP"); (iii) consolidate the activities of the Inspection and Quarantine system at airport and frontier posts among the agencies; and (iv) reinforce the laboratory capacity of the Food and Drug Department ("FDD"), the Veterinary Diagnostic Laboratory and the Plant Health Laboratory towards their accreditation by international agencies. New equipment and supplies will be acquired to modernize the laboratories supporting sanitary and food safety demand for analysis and diagnosis.
24. Main items to be financed under this component are: (i) individual experts; (ii) training; (iii) strengthening and upgrading health infrastructure for laboratories, quarantine and inspection posts; (iv) equipment and supplies to bring laboratories up to the level of Good Laboratory Practices ("GLP") and begin the process of preparing them for laboratory accreditation; (v) scientific information services; (vi) a food safety and quality education programs; (vii) a training program for growers, packers and transporters in the basics of GAP, GMP, and HACCP for minimizing food safety problems; and (viii) consulting services for designing surveillance systems, food safety information systems and conducting pest risk analysis.

(e) Pesticide and Toxic Chemical Control Board

25. The Program will finance (i) acquisition and deployment of equipment and supplies for the Pesticides Laboratory; (ii) training; and (iii) access to updated information through a peer international public institution regarding international regulations, proposals, country or regional requirements.

Component IV: Drainage and Irrigation Rehabilitation

26. This component will finance the rehabilitation of the drainage and irrigation ("D&I") infrastructure for the Canals Polder D&I area. Based on a feasibility analysis and an engineering design, these works will include primary and secondary drainage and irrigation channels, and water control structures. It will rehabilitate: (i) 55 Km of primary channels; (ii) 220 Km of secondary channels; (iii) 86 Km of service roads; (iv) 1 pumping station; and (v) 130 sluice gates.

CHAPTER V

Execution of the Program

SECTION 5.01 Execution Conditions. (a) For purposes of this Program, the Borrower undertakes to grant, within thirty (30) months from the date of this Contract, semi-autonomous status to the Animal Health and Plant Health Units; and

(b) The disbursement of resources of the Financing for the construction, equipment and operation of the basic abattoir referred to in paragraph 4 of Section 4.02 of these Special Conditions will be subject to the fulfillment, to the satisfaction of the Bank, of the following requirement: at least two hundred thousand dollars (US\$200,000) of the resources allocated for the financing of the livestock business plans under component I of the Program, have been disbursed.

SECTION 5.02 Procurement of goods and works. Goods and works shall be procured in accordance with the provisions set forth in Document GN-2349-7 ("Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank"), dated July, 2006 (hereinafter referred to as the "Procurement Policies"), which are known to the Borrower, and the following provision:

- (a) International Competitive Bidding: Except as otherwise provided in subsection (b) of this Section, goods and works shall be procured pursuant to the provisions set forth in Section II of the Procurement Policies.
- b) Other Procurement Procedures: The following procurement methods may be used for the procurement of goods and works as long as the Bank determines that these methods meet the requirements established in the provisions set forth in Section III of the Procurement Policies:
- (i) National Competitive Bidding: for goods, which estimated cost per contract is less than US\$100,000 and more than US\$25,000, and for works which estimated cost per contract is less than US\$1,000,000 and more than US\$100,000, pursuant to the provisions set forth in paragraphs 3.3 and 3.4 of the Procurement Policies and the provisions below and provided that such procurement method is not in contradiction with the Procurement Policies or the basic guarantees that every procurement must meet;

- (ii) Shopping; for goods estimated to cost less than US\$25,000 equivalent per contract in accordance with the provisions set forth in paragraph 3.5 of the Procurement Policies; and
 - (iii) The construction of the abattoir to be financed under Component I of the Program shall be constructed, operated and subsequently transferred under a contract awarded to an entrepreneur on the basis of an international competitive bidding procedure in accordance with the provisions set forth in paragraph 3.13(a) of the Procurement Policies and in subparagraphs (c) and (d)(i) of this Section 5.02.
- (c) Additional Procurement Requirements. The Borrower, through the Executing Agency, shall carry out the procurement of goods and works in accordance with: (i) the general plans, technical, social and environmental specifications, budgets and other documents required for the acquisition or the construction, and, as the case may be, the specific guidelines and other documents necessary for the call for prequalification or bids; and (ii) in the case of works, evidence that it has, prior to the initiation of the works and with respect to the real property where the works will be constructed, the right of legal possession, easements or other rights necessary to initiate the construction.
- (d) Review by the Bank of Procurement Decisions
- (i) Procurement Planning: Prior to the issuance of any invitations to prequalify or to bid for contracts, as the case may be, the Borrower, through the Executing Agency, shall present the proposed procurement plan for the Program to the Bank for its review and approval, in accordance with the provisions set forth in paragraph 1 of Appendix 1 to the Procurement Policies. This plan shall be updated every twelve (12) months, or as needed, during Program execution, and submitted to the Bank for its review and approval. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions set forth in said paragraph 1.
 - (ii) Prior Review: Unless the Bank agrees otherwise in writing, the contracts for works and the acquisition of goods and related services shall be subject to prior review, in accordance with the procedures spelled out in paragraphs 2 and 3 of Appendix 1 to the Procurement Policies.

SECTION 5.03. Maintenance of Works. The Borrower, through the Executing Agency, undertakes to preserve all the goods and works included in the Program in the operating conditions in which they were upon their acquisition, at a level compatible with their intended use and, particularly, to: (a) ensure that the works and equipment included in the Program shall be adequately maintained according to generally accepted technical standards; and (b) present to the Bank a report on the status of said works and equipment and an annual maintenance plan for that year, during the five (5) years following the completion of the first of the works of the Program and within the first

quarter of each calendar year. The annual maintenance plan shall include: (i) details of the organization responsible for maintenance; and (ii) information pertaining to the resources to be allocated for maintenance during the current year and the amount to be allocated in the budget during the following year. If from the inspections conducted by the Bank or from the reports it receives, it is determined that maintenance does not meet the levels agreed upon, the Borrower, through the Executing Agency, shall undertake the necessary measures to correct these shortcomings.

SECTION 5.04. Operating Regulations Manual of the Program. The parties agree that the execution of the Program shall be governed by the terms and conditions set forth in this Contract and in the Operating Regulations Manual on the understanding that changes could be introduced in the Operating Regulations Manual with the prior written approval of the Bank. If any provision of the Operating Regulations Manual should present any inconsistency or contradiction with the terms and conditions set forth in this Contract, the provisions of this Contract shall prevail.

SECTION 5.05. Reimbursement of Expenses as of Date of Loan Approval. The Bank may recognize as part of the local contribution expenditures incurred or which may be incurred in the Program on or after December 5, 2007 and up to the effective date of this Contract, provided that requirements substantially similar to those set forth in this Contract have been fulfilled.

SECTION 5.06. Contracting of Consultants. (a) Consultants' services shall be procured in accordance with the provisions set forth in Document GN-2350-7 ("Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank"), dated July, 2006 (hereinafter called the Consultant Policies"), which are known to the Borrower, and pursuant to the procedures set forth in the Procurement Plan referred to in subsection (b)(i) of this Section 5.06.

(b) Review by the Bank of the process of selection of consultants:

- (i) Selection and Contracting Planning: Prior to the issuance of any request for proposal to the consultants, the Borrower, through the Executing Agency, shall present to the Bank, for its review and approval, a procurement plan, which shall include contract cost estimates, contract packaging and applicable selection criteria and procedures, in accordance with the provisions set forth in paragraph 1 of Appendix 1 to the Procurement Policies. This plan shall be updated every twelve (12) months, or as needed, during Program execution, and submitted to the Bank for its review and approval. Selection and contracting of consultants shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank.
- (ii) Ex-ante Review: Unless the Bank agrees otherwise in writing, the contracts for the contracting of consulting services shall be subject to ex-ante review, in accordance with the procedures spelled out in paragraphs 2 and 3 of Appendix 1 to the Consultant Policies.

SECTION 5.07. Program execution and administration The Agricultural Sector Development Unit ("ASDU") will be responsible for managing the Program, including its planning, organization, staffing, procurement, finances and control.

1. Component I: The operation of this component will be as follows: each agribusiness cluster will be represented by a Working Group ("WG") that will have a consultative nature. This will be the instance in which the stakeholders interact both with each other and with the coordinator of the cluster who will act on behalf of them. The coordinators of the chosen export clusters will in turn interact with the ASDU. Activities and investments are identified by the private sector members of each WG. This process is facilitated by the cluster coordinator who will determine the cluster needs, which are to be met either by the activities offered by the Program or by government actions. The coordinator presents to the ASDU an annual plan, which includes: (i) the identification of public goods to be financed. The ASDU in turn evaluates this plan, establishing the targets for funding the activities, targets which are to be met by the members of the cluster and by the government agencies that will provide services under Components II and III of the Program; and (ii) proposals for Government actions that may enhance the cluster's business environment that lie beyond the scope of the Program. Responsibility for auditing the use of the instruments and compliance with the conditions lies within the ASDU. After the first year of Program execution, the costs of the "Promotion and consolidation of agribusiness" subcomponent will be gradually assumed by the WGs pursuant to the specifications and guidelines set forth in the Operating Regulations Manual of the Program.
2. Potential agribusinesses and current exporters will be invited to join the WGs. Eligibility criteria will be: (i) legally established firms; (ii) demonstrated interest in exporting as shown by criteria such as investments carried out in the cluster, experience in related exports, or business partially financed by the financial sector, input suppliers and logistic services providers; (iii) willingness to participate and co-finance the activities carried out under this component; (iv) willingness to engage in contract farming; and (v) compliance with domestic regulations and Bank's policies regarding environmental management. Farmers related to the clusters are also eligible.
3. To facilitate and support the execution of this component, the ASDU will hire the services of a specialized international agency or consulting firm to provide technical and operational assistance to the ASDU to carry out the specific subcomponents as well as to provide the services identified in each agribusiness plan. This specialized international agency or consulting firm will act as cluster coordinator for Component I.
4. Business Plan Implementation Support: The Executing Agency will be responsible for the establishment of an independent expert panel comprised of government officials and private sector specialists, who will select the proposals that could be funded by the Program. The functions, structure and responsibilities of the panel are set forth in the Operating Regulations Manual for the Program. The specialized agency or consulting firm will: (i) keep minutes of the panel's decision and report them to the ASDU; (ii) prepare draft contracts between the beneficiaries and the ASDU. The content of said contract is defined in the Operating Regulations Manual for the Program; and (iii) supervise the implementation of the agribusiness plans. Once the plans are approved and actual benchmarks and results previously agreed upon between the Executing Agency and the beneficiaries are met, the ASDU will allocate the corresponding funds directly to the beneficiaries.

5. Component II: The MOA will implement this component with the support of specialized public agencies. This support is provided by Memorandums of Understanding that have been already agreed and signed between the Ministry of Agriculture and the following decentralized agencies to support the Program's clusters through public services: (i) National Agricultural Research Institute ("NARI") and National Dairy Development Programme ("NDDP") for the implementation of research and development partnerships with farmers and processors; (ii) Guyana Lands and Surveys Commission ("GLSC") and Go-Invest for a pilot project to allocate land to investors within a set of prioritized products by the Ministry of Agriculture; and (iii) New Guyana Marketing Corporation ("NGMC") for market information services.
6. The MOUs define the scope of the work and responsibilities for each party. Each year the ASDU and the decentralized agencies will prepare the annual operational plan for their respective subcomponents.
7. For the support of research and development partnerships, the draft annual operating plan for each cluster will be prepared by NARI and NDDP respectively; and will be agreed upon with the WG who will consolidate them to seek approval by the ASDU. The NDDP and NARI will help the WG through the cluster coordinator and the MOA in selecting the International Partner(s) for Technological Assistance ("ITA") for each cluster.
8. NARI's researchers will be involved in the introduction of the genetic commercial material to be screened for selecting the most suitable; the validation of the technology and the implementation of pilot plots. NARI will also be responsible for: (i) multiplication of genetic seeds; (ii) quality control of seeds and seedlings; (iii) sanitary quality of seeds and seedlings, jointly with the Plant Health Unit to assure compliance with sanitary standards; and (iv) storage of germplasm. NARI will also help to organize the private sector to multiply and commercialize seeds and seedling to the growers since it is responsible for furnishing the basic seeds to the private sector for multiplication. NARI will also have the responsibility for supervising the field multiplication as well as the laboratory seed analysis services.
9. NDDP staff will be in charge of all the activities regarding introduction and validation of beef cattle technology, including the introduction of the pasture varieties, in close partnership with NARI.
10. Component III: An agricultural health and food safety committee will provide guidance in the development of a comprehensive policy and its strategic plan; define areas of collaboration among agencies and stakeholders; and conduct the process towards a modern and simpler system with fewer organizations.
11. The National Coordinating Committee for Sanitary and Phytosanitary Matters main responsibilities will be to: (i) recommend legislative initiatives on the matters within its sphere of responsibilities; (ii) establish the measures and processes that best serve the interest of Guyana in cases of consultations and dispute settlement related to international marketing of agricultural and food products; (iii) ensure that Guyana discharges its obligations to the WTO Committee on SPS Measures in Geneva; (iv) facilitate the policy input and technical

work required for all projects designed to impact on agricultural health and food safety; and (v) ensure that national and sectoral policies are harmonized and compatible with current international policies and standards.

12. Each health unit, on a yearly basis, will identify its activities and related investments. The specialist, who articulates with the health units and determines its needs will facilitate this process and prepare the annual operating plan for the corresponding component. An international agricultural health and food safety agency will provide technical assistance to the ASDU to design the eradication campaigns, provide training services, institutional best management practices in health, design the information systems, the public awareness campaigns, and conduct evaluation services for the component.
13. Component IV: The ASDU will rehabilitate the Canals Polder D&I system, benefiting from the execution scheme already in place for the Agricultural Support Services Program ("ASSP").
14. The clusters' coordinators will carry out activities that will feed into to the monitoring and evaluation system of the Program that will be under the responsibility of the ASDU. These activities are: (i) collect and process the data regarding the indicators that pertain to Component I specified in the Evaluation and Monitoring System ("EMS"); (ii) conduct the surveys to farmers, exporters and agribusiness according to the EMS; and (iii) report on the results of the quality of services surveys provided to the WC members.
15. The ASDU will ensure that counterpart funds are requested from the Ministry of Finance according to the budget preparation process. No later than November 30th of each year, the ASDU will submit to the Bank an Annual Operating Plan ("AOP") for the following year and will update the Program Evaluation and Review Technique ("PERT"). This AOP will also contain an evaluation of the results obtained during the previous period, and may include a justification and recommended actions regarding the goals not achieved during the analyzed period.

SECTION 5.08. Evaluation and progress reports. (a) The Borrower, through the Executing Agency, undertakes during Program implementation to collect, store and retain information, indicators and parameters, including the annual plans, the mid-term review, and final evaluations, to help the Bank prepare the Project Completion Report.

(b) The progress reports referred to in Article 7.03(a)(i) of the General Conditions will summarize the execution and financial highlights of the corresponding period. These reports will also take into consideration the indicators of the "Logical Framework" of the Program and other agreed goals.

(c) The Borrower, through the Executing Agency, undertakes to carry out the following evaluations: (i) a mid-term evaluation, after fifty percent (50%) of the Financing has been committed, and the following events have been reached: (a) at least three technological packages adapted for export markets; (b) working groups established and operating according to their annual plans for at least two clusters; (c) animal health and food safety regulations enacted; (d) eradication

program for bovine tuberculosis and brucellosis for regions 1, 2 and 3 completed; (e) at least ten business plans supported; and (f) sustainability plan for the AHFSC prepared. The ASDU also undertakes to carry out the agricultural health evaluation known as PVS – “Performance, Vision and Strategy”. The Bank and the Borrower will jointly carry out a mid-term review mission to discuss the results from the implementation of each component and review the plan of the activities for the remain of the Program; and (ii) a final evaluation comprising of impact evaluations, as well as process evaluations, after ninety five percent (95%) of the Financing has been disbursed. This evaluation will assess the implementation of the Program and will document outcomes in participating agencies following the EMS guidelines.

(d) The Borrower undertakes to carry out an ex-post evaluation of the Program five years after its implementation has been completed. The EMS guidelines specify its budget, data required and methodology.

CHAPTER VI

Records, Inspections, and Reports

SECTION 6.01. 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 the provisions established in Chapter VII of the General Conditions.

SECTION 6.02 Supervision of Program Execution. (a) The Bank shall use the Program implementation plan referred to in Article 4.01(c)(i) of the General Conditions as a tool to supervise Program execution. The Program implementation plan shall be based in the acquisition plan referred to in Sections 5.02(d)(i) and 5.06(b)(i) of these Special Conditions, and shall comprise a complete planning of the Program, with the critical route of actions to be implemented in order to disburse the resources of the Financing before the expiration of the disbursement period set forth in Section 3.07 of these Special Conditions.

(b) The Program implementation plan shall be updated as needed, especially upon the occurrence of a significant change that causes or may cause a delay in Program execution. The Borrower, through the Executing Agency, shall inform the Bank of any change in the Program implementation plan no later than upon presentation of the relevant semiannual Program execution report.

SECTION 6.03. Audits. (a) With respect to the provisions of Article 7.03 of the General Conditions, the financial statements of the Program shall be submitted to the Bank on an annual basis duly certified by a firm of independent public accountants acceptable to the Bank.

(b) The cost related to the auditing referred to in subsection (a) of this Section 6.03, will be financed with resources of the Financing.

CHAPTER VII

Miscellaneous Provisions

SECTION 7.01. Entry into Effect. The parties agree that this Contract shall enter into effect on the date of its signature, date upon which it acquires full legal validity.

SECTION 7.02. Termination. Payment in full of the Loan and of all interest and fees shall terminate this Contract and all obligations arising thereunder.

SECTION 7.03. Validity. The rights and obligations established in this Contract are valid and enforceable in accordance with its terms, regardless of the laws of any given country.

SECTION 7.04. Communications. Any notice, request, or communication from one party to another by virtue of this Contract shall be made in writing and shall be considered to have been made when the relevant document is delivered to the addressee at the respective address given below, unless the parties agree otherwise in writing:

For the Borrower:

Mailing address:

Ministry of Finance
Maitland Urquhart Streets
Georgetown, Guyana

Facsimile:

(592) 227-3931

For matters related to the execution of the Program

Mailing address:

Ministry of Agriculture
Regent & Vlissengen Roads
Georgetown, Guyana
P.O. Box 1001

Facsimile:

(592) 227-2978

For the Bank:

Mailing address:

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

Facsimile:

(202) 623-3096

CHAPTER VIII

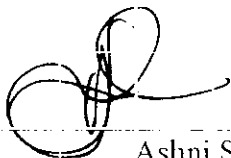
Arbitration

SECTION 8.01 Commitment to Arbitrate. For the solution of any controversy which may arise out of this Contract and which is not resolved by agreement between the parties, they unconditionally and irrevocably submit themselves to the procedure and ruling of the Arbitration Tribunal referred to in Chapter IX of the General Conditions.

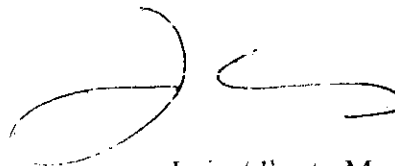
IN WITNESS WHEREOF, the Borrower and the Bank, each acting through its authorized representative, have signed this Contract, in two (2) equally authentic copies in Miami, Florida, United States of America, on the date above written.

CO-OPERATIVE REPUBLIC OF
GUYANA

INTER-AMERICAN DEVELOPMENT
BANK



Ashni Singh
Minister of Finance



Luis Alberto Moreno
President

PART TWO

GENERAL CONDITIONS

CHAPTER I

Application of the General Conditions

ARTICLE 1.01. Application of the General Conditions. These General Conditions apply to the Loan Contracts entered into by the Inter-American Development Bank with its Borrowers, and accordingly the provisions hereof form an integral part of this Contract.

CHAPTER II

Definitions

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

- (a) "Bank" means the Inter-American Development Bank.
- (b) "Board" means the Board of Executive Directors of the Bank.
- (c) "Borrower" means the party to which the Financing is made available.
- (d) "Contract" means the entirety of the Special Conditions, the General Conditions and the Annexes.
- (e) "Contracting Agency" means the entity with the legal capacity to sign the Contract for the Procurement of Works and Goods and the Selection and Contracting of Consultants with the Contractor, Supplier, and Consulting Firm or Individual Consultant, as the case may be.
- (f) "Convertible Currency" or "Currency of a country other than that of the Borrower" means any currency which is legal tender in a country other than that of the Borrower, the Special Drawing Rights of the International Monetary Fund, and any other unit which represents the debt service obligation of a borrowing by the Bank.
- (g) "Cost of Single Currency Qualified Borrowings with an Adjustable Interest Rate" means the cost to the Bank of the Single Currency Qualified Borrowings with an

Adjustable Interest Rate in the Single Currency of the Financing, expressed as a percentage per annum, as determined by the Bank.

- (h) "dollars" means dollars of the United States of America, unless otherwise stated.
- (i) "Effective Date" means the date on which the Loan Contract acquires full legal validity pursuant to the provisions of Section 7.01 of the Special Conditions.
- (j) "Executing Agency/Agencies" means the entity/entities responsible for executing all or part of the Project.

"Financing" means the funds which the Bank has agreed to make available to the Borrower to assist in carrying out the Project and comprises the Ordinary Capital Financing and the Fund for Special Operations Financing.

- (k) "Fraud and corruption" means the act(s) defined in Article 5.02(c) of these General Conditions.
- (l) "Fund for Special Operations" means the Bank's Fund for Special Operations.
- (m) "Fund for Special Operations Financing" means the portion of the Financing chargeable to the Fund for Special Operations.
- (n) "General Conditions" means the entirety of articles which comprise Part Two of this Contract and reflect the basic policies of the Bank uniformly applicable to its Loan Contracts.
- (o) "Guarantor" means the party which guarantees the fulfillment of the obligations contracted by the Borrower and which assumes other obligations for which it is liable in accordance with the Guarantee Contract.
- (p) "Loan" means the funds disbursed from the Financing.
- (q) "Official Auditing Authority" means the Borrower's official auditing authority.
- (r) "Ordinary Capital Financing" means the portion of the Financing chargeable to the Single Currency Facility.
- (s) "Project" means the Program or Project for which the Financing has been extended.

- (t) "Revolving Fund" means a fund that the Bank may establish as provided in Article 4.07 of these General Conditions, for the purpose of advancing resources to defray Project expenses chargeable to the Financing.
- (u) "Semester" means the first or second six months of a calendar year.
- (v) "Single Currency" means any convertible currency which forms part of the Single Currency Facility and the Fund for Special Operations.
- (w) "Single Currency Facility" means the facility the Bank has established to lend in certain convertible currencies which the Bank selects from time to time.
- (x) "Single Currency Qualified Borrowings" for borrowings denominated in any Single Currency means either: (i) from the date that the first Loan in such Single Currency is approved by the Bank's Board, resources of such Single Currency's transitional stabilization mechanism and borrowings of the Bank in such Single Currency that are assigned to fund loans in such Single Currency under the Single Currency Facility; or (ii) beginning on the first day of the seventh Semester following the above-mentioned date, borrowings of the Bank that are assigned to fund loans in such Single Currency under the Single Currency Facility.
- (y) "Special Conditions" means the entirety of the provisions which comprise Part One of the Contract and contain the particular terms of the operation.

CHAPTER III

Amortization, Interest and Credit Fee

ARTICLE 3.01. Dates of Payment of Amortization and Interest. (a) **Ordinary Capital Financing.** The Borrower shall amortize the portion of the Loan disbursed against the Ordinary Capital Financing in semiannual, consecutive, and, insofar as possible, equal installments on the same dates as those determined in accordance with Section 2.02 (c) of the Special Conditions for payment of interest.

(b) **Fund for Special Operations Financing.** The Borrower shall amortize the portion of the Loan disbursed against the Fund for Special Operations Financing in one installment payable on the date set forth in Section 2.01(c) of the Special Conditions.

(c) If the date of signature of the Loan Contract falls between June 15th and 30th or between December 15th and 31st, the dates for the payment of interest shall be June 15th and December 15th, as the case may be.

ARTICLE 3.02. Credit Fee. (a) **Ordinary Capital Financing.** The Borrower shall pay on the undisbursed balance of the Ordinary Capital Financing a credit fee, which shall begin to accrue sixty (60) days after the date of signature of the Contract. The amount of said fee shall be as indicated in the Special Conditions and under no circumstance may exceed 0.75% per annum. The fee shall be payable in dollars, on the same dates as those specified for the payment of interest pursuant to the provisions of the Special Conditions.

(b) The credit fee shall cease to accrue in full or in part, as the case may be, to the extent that: (i) the respective disbursements have been made; or (ii) the Financing has been cancelled totally or partially pursuant to Articles 3.14, 3.15 and 4.02 of these General Conditions and the relevant provisions of the Special Conditions.

(c) **Fund for Special Operations Financing.** The Borrower shall not pay a credit fee with respect to the Fund for Special Operations Financing.

ARTICLE 3.03. Computation of Interest and Credit Fee. The interest and credit fee shall be calculated according to the exact number of days in the respective Semester.

ARTICLE 3.04. Interest Rate. (a) **Ordinary Capital Financing.** The Bank shall periodically determine the annual interest rate that shall accrue on the portion of the Loan disbursed against the Ordinary Capital Financing, in accordance with its lending rate policy, and as determined by the Cost of Single Currency Qualified Borrowings with an Adjustable Interest Rate in the Single Currency of the Financing, plus the prevailing ordinary capital lending spread expressed as a percentage per annum.

(b) **Fund for Special Operations Financing.** The interest rate chargeable to the portion of the Loan disbursed against the Fund for Special Operations Financing shall be 0.25% per annum.

ARTICLE 3.05. Currency Obligations. All payments of amortization and interest shall be made in the Single Currency disbursed.

ARTICLE 3.06. Rate of Exchange. (a) The rate of exchange to be used to determine the equivalency of the currency of the Borrower's country, in relation to dollars, shall be as follows:

- (i) The rate of exchange pursuant to the understanding in force between the Bank and the respective member country for the purposes of maintaining the value of the currency in conformity with the provisions of Article V, Section 3 of the Agreement Establishing the Bank.
- (ii) Should there be no agreement in force between the Bank and the respective member country with regard to the rate of exchange to be applied for the

purpose of maintaining the value of its currency held by the Bank, the latter shall have the right to require that the rate of exchange to be applied for the purposes of payment of amortization and interest shall be that which on the due date is utilized by the Central Bank of the member country or by the corresponding monetary authority to sell dollars to residents of such country, other than government agencies, for the following transactions: (a) payment of principal and interest due; (b) remittance of dividends or other income from capital investments in the respective country; and (c) remittance of investment capital. In the event that there is no uniform rate of exchange for these three types of operations, the highest rate shall be applied, i.e., the rate representing the highest number of units of the currency of such country per dollar.

- (iii) If, on the date on which the payment is due, the foregoing rule cannot be applied because the operations referred to do not exist, payment shall be made on the basis of the most recent rate of exchange used for such operations within the thirty (30) days preceding the respective due date.
- (iv) If, notwithstanding the application of the foregoing rules, the effective rate of exchange for the purpose of determining payment cannot be ascertained, or if discrepancies arise in the determination thereof, the determination of the Bank shall prevail, taking into consideration the realities of the foreign exchange market of the member country concerned.
- (v) If, due to non-compliance with the foregoing rules, the Bank considers that any payment made in the respective currency has been insufficient, it shall so notify the Borrower immediately in order that the latter shall pay the difference within a period not greater than thirty (30) business days from receipt of the notification. If, on the other hand, the sum received by the Bank is higher than that due, it shall return the excess amount within the same time period.
- (vi) In case of a delayed payment the Bank may require that the rate of exchange in effect at the time of payment be applied.

(b) For the purpose of determining the equivalency in dollars of an expenditure incurred in the currency of the Borrower's country, the rate of exchange which is applicable on the date of payment of such expenditure shall be utilized, pursuant to paragraph (a) above. To that end, the date of payment of such expenditure shall mean the date on which the Borrower, the Executing Agency or any natural or juridical person in whom the power to incur expenditures has been vested makes the respective payments to the order of the contractor or supplier.

ARTICLE 3.07. Valuation of Convertible Currencies. Whenever it shall be necessary pursuant to this Contract to determine the value of a currency of a country other than that of the Borrower in terms of another currency, such value shall be as reasonably determined by the Bank.

ARTICLE 3.08. Participations. (a) The Bank may cede to other public or private institutions, in the form of participations, the rights corresponding to the Borrower's pecuniary obligations under this Contract. The Bank shall promptly notify the Borrower of each assignment.

(b) Participations may be granted in respect of either of the following: (i) amounts of the Loan disbursed prior to execution of the participation agreement; or (ii) amounts of the Financing which are still undisbursed at the time of the participation agreement's execution.

ARTICLE 3.09. Application of Payments. All payments shall be applied first to returns of unjustified advances of funds, then to fees and interest due on the payment date, and if a balance exists, to the amortization of installments of principal due.

ARTICLE 3.10. Advance Payments. Upon advance notice in writing to the Bank of at least fifteen (15) days, the Borrower may pay, on one of the interest payment dates indicated in the Special Conditions, any part of the Loan prior to its maturity, provided that on the payment date no sum is owing in respect of fees or interest. Each partial advance payment shall be applied to the portion of the Loan disbursed against the Ordinary Capital Financing and the portion of the Loan disbursed against the Fund for Special Operations Financing in the same proportion that each represents of the total Financing. The part of the partial advance allocated to the Ordinary Capital Financing shall be applied *pro rata* to each unpaid installments of principal. The part of the partial advance allocated to the Fund for Special Operations Financing shall be applied against the single amortization installment.

ARTICLE 3.12. Receipts. At the request of the Bank, the Borrower shall sign and deliver to the Bank, upon the completion of disbursements, a receipt or receipts for the amounts disbursed. Likewise, the Borrower shall sign and deliver to the Bank, at its request, promissory notes or other negotiable instruments representing the Borrower's obligation to repay the Loan with the interest agreed upon in the Contract. Such documents shall be in the form prescribed by the Bank taking into account the applicable legal provisions of the country of the Borrower.

ARTICLE 3.12. Transactions Falling Due on Public Holidays. Any payment or other transaction which pursuant to this Contract, should be effected on Saturday, Sunday or a day which is a banking holiday according to the law of the place where it is required to be made, shall be considered validly effected if carried out on the first business day immediately thereafter, and in such case no penalty whatsoever shall apply.

ARTICLE 3.13. Place of Payments. All payments shall be made at the principal office of the Bank in Washington, District of Columbia, United States of America, unless the Bank designates another place or places for this purpose by written notification to the Borrower.

ARTICLE 3.14. Renunciation of Part of the Financing. The Borrower, with the concurrence of the Guarantor, if any, may renounce, by written notice to the Bank, its right to utilize any amount of

the Financing which has not been disbursed before the receipt of the notice, provided that the amounts foreseen in Article 5.03 of these General Conditions are not involved. The renunciation shall be deemed to have been made in respect of the Ordinary Capital Financing and the Fund for Special Operations Financing, and shall be applied in the same proportion that each represent, of the total amount of the Financing.

ARTICLE 3.15. Automatic Cancellation of Part of the Financing. Unless the Bank and the Borrower and the Guarantor, if any, expressly agree in writing to extend the term for making disbursements, that portion of the Financing not committed or disbursed, as the case may be, within the corresponding term, shall automatically be canceled.

CHAPTER IV

Conditions Relating to Disbursements

ARTICLE 4.01. Conditions Precedent to First Disbursement. The first disbursement of the Financing shall be subject to fulfillment of the following requirements to the satisfaction of the Bank:

- (a) The Bank shall have received one or more well-founded legal opinions which establish, with citations of the pertinent constitutional, legal, and regulatory provisions, that the obligations undertaken by the Borrower in this Contract, and those of the Guarantor, if any, in the Guarantee Contract, are valid and enforceable. Such opinions shall also refer to any other legal question that the Bank may reasonably deem relevant.
- (b) The Borrower, directly or through the Executing Agency, if any, shall have designated one or more officials to represent it in all acts relating to the implementation of this Contract and shall have furnished the Bank with authentic copies of the signatures of said representatives. Should two or more officials be designated, the designation shall indicate whether such officials may act separately or must act jointly.
- (c) The Borrower, either directly or through the Executing Agency, if any, shall have presented to the Bank an initial report prepared in the form indicated by the Bank, which in addition to such other information as the Bank may reasonably request pursuant to the provisions of this Contract, shall set forth: (i) a plan for implementation of the Project including, except with respect to a program for the granting of credits, the plans and specifications deemed necessary by the Bank; (ii) a calendar or schedule of work or granting of credits, as the case may be; (iii) a table of the source and use of funds setting forth a detailed schedule of investments in accordance with the categories of investment established in this Contract and an indication of the annual contributions needed from the various sources of funds from

which the Project will be financed; and (iv) the format in which the progress reports referred to in Article 7.03(a)(i) of these General Conditions shall be presented. If this Contract permits the recognition of expenditures made prior to its signature or to the date of the Resolution authorizing the Financing, the initial report shall include a statement of the investments and, in accordance with the objectives of the Financing, a description of works carried out under the Project or a statement as to credits granted, as the case may be, up to a date immediately preceding the report.

- (d) The Borrower or Executing Agency shall have presented to the Bank the plan, catalog or code of accounts referred to in Article 7.01 of these General Conditions.
- (e) The Official Auditing Authority referred to in the Special Conditions shall have agreed to perform the auditing function foreseen in Article 7.03(b) of these General Conditions and in the Special Conditions, or the Borrower or the Executing Agency shall have agreed with the Bank with respect to a firm of independent public accountants to perform the above functions.

ARTICLE 4.02. Period for Fulfilling the Conditions Precedent to First Disbursement. If within one hundred eighty (180) days from the effective date of this Contract, or within such longer period as the parties may agree in writing, the conditions precedent to the first disbursement established in Article 4.01 of these General Conditions and in the Special Conditions have not been fulfilled, the Bank may terminate this Contract by giving notice to the Borrower.

ARTICLE 4.03. Requisites for All Disbursements. For the Bank to make any disbursement, it shall be necessary that: (a) the Borrower, or the Executing Agency, if any, shall have submitted in writing a disbursement request and, in support thereof, shall have supplied to the Bank such pertinent documents and other background materials as the Bank may have required; (b) requests must be presented no later than thirty (30) calendar days in advance of the date of expiry of the term for disbursement or of any extension thereof which the Borrower and the Bank may have agreed to; (c) none of the circumstances described in Article 5.01 of these General Conditions shall have occurred; and (d) the Guarantor, if any, shall not be in non-compliance for more than one hundred twenty (120) days with any obligation to make payments to the Bank on any Loan or Guarantee.

ARTICLE 4.04. Application of Disbursed Amounts. The Bank shall calculate the percentage that each of the Ordinary Capital Financing and the Fund for Special Operations Financing represent of the total Financing and shall charge each disbursement to the Ordinary Capital and the Fund for Special Operations in the respective proportion.

ARTICLE 4.05 Disbursements for Technical Cooperation. If the Special Conditions contemplate the Financing of expenses for technical cooperation, the disbursements therefore may be made once the conditions established in Article 4.01(a) and (b) and in Article 4.03 of these General Conditions have been fulfilled.

ARTICLE 4.06. Disbursement Procedures. The Bank may make disbursements against the Financing: (a) by transferring to the order of the Borrower the sums to which it is entitled under this Contract; (b) by making payments on behalf of and in agreement with the Borrower to other banking institutions; (c) by establishing or replenishing the Revolving Fund referred to in Article 4.07 below; and (d) by utilizing such other method as the parties may agree upon in writing. Any banking expenses that may be charged by a third party in connection with disbursements shall be borne by the Borrower. Unless the parties agree otherwise, disbursements shall be made only in amounts of not less than the equivalent of fifty thousand dollars (US\$50,000) each.

ARTICLE 4.07. Revolving Fund. (a) Upon fulfillment of the requirements set forth in Articles 4.01 and 4.03 of these General Conditions and the pertinent requirements established in the Special Conditions, the Bank may advance resources of the Financing for the purpose of establishing, increasing or replenishing a Revolving Fund to defray costs pertaining to the execution of the Project which, pursuant to provisions of this Contract, are eligible for financing with such resources.

(b) Except by express agreement between the parties, the amount of the Revolving Fund shall not exceed five percent of the amount of the Financing. Upon justified request, the Bank may increase or replenish the Revolving Fund as the resources are used, provided that the requirements of Article 4.03 of these General Conditions and those which may be established in the Special Conditions have been fulfilled. The Bank may also reduce or cancel the Revolving Fund should it determine that the resources provided through the Revolving Fund exceed the needs of the Project. The establishment and the replenishment of the Revolving Fund shall be regarded as disbursements for the purposes of this Contract.

(c) The plan, catalog or code of accounts that the Borrower or Executing Agency must present to the Bank in accordance with Article 4.01(d) of these General Conditions shall indicate the accounting method used by the Borrower to verify the transactions and statements of account of the Revolving Fund.

(d) Not later than thirty (30) days prior to the date agreed upon for the final disbursement of the Financing, the Borrower shall present a final justification of the use of the Revolving Fund and return any unused portion thereof.

CHAPTER V

Suspension of Disbursements and Accelerated Maturity

ARTICLE 5.01. Suspension of Disbursements. The Bank, by written notice to the Borrower, may suspend disbursements if any of the following circumstances occurs and so long as it continues:

- (a) Delay in the payment of any sums owed by the Borrower to the Bank for principal, fees, interest, return of advances of funds or for any other reason, under this Contract or any other Loan Contract entered into between the Bank and the Borrower.
- (b) Nonfulfillment by the Borrower of any other obligation set forth in the Contract or in any other Contract entered into with the Bank for the Financing of the Project.
- (c) Withdrawal or suspension from membership in the Bank of the country in which the Project is to be executed.
- (d) The Project or the purposes of the Financing may be affected by: (i) any restriction, modification or alteration of the legal capacity, functions or assets of the Borrower or the Executing Agency; or (ii) any modification or change made without the written concurrence of the Bank of the basic conditions fulfilled before the approval of the Resolution authorizing the Financing or the signature of the Contract. In such cases, the Bank will have the right to require the Borrower and the Executing Agency to provide reasoned and detailed information. Only after hearing the Borrower or the Executing Agency and weighing the information or clarification received, or if the Borrower and the Executing Agency fail to respond, may the Bank suspend disbursements if it considers that the modifications made affect the Project substantially and unfavorably or make its execution impossible.
- (e) The non-compliance on the part of the Guarantor, if any, of any obligation set forth in the Guarantee Contract.
- (f) When the Borrower is not a member country, any extraordinary circumstance which, in the opinion of the Bank, makes it unlikely that the Borrower will be able to comply with the obligations established in this Contract or to fulfill the purposes for which it was entered into.
- (g) If it is determined at any stage that evidence is sufficient to support a finding that an employee, agent, or representative of the Borrower, Executing Agency or Contracting Agency, has engaged in an act of fraud and corruption during the bidding process, negotiation of a contract, or the execution of the contract.

ARTICLE 5.02. Termination, Accelerated Maturity, or Partial Cancellation of Undisbursed Balances and other Measures. (a) The Bank may terminate this Contract with respect to the part of the Financing not yet disbursed or may declare the entire loan or a portion thereof immediately due and payable, together with interest and commissions accrued up to the date of payment if: (i) any of the circumstances set forth in paragraphs (a), (b), (c) and (e) of the preceding article continues for more than sixty (60) days; or (ii) the information referred to in paragraph (d) of the preceding Article, or the clarifications or additional information presented by the Borrower or the Executing Agency or the Contracting Agency, if any, are not satisfactory to the Bank. If the Bank declares a portion of the

loan immediately due and payable, payment received by the Bank shall be applied to the portion of the Loan disbursed against the Ordinary Capital Financing and the portion of the Loan disbursed against the Fund for Special Operations Financing, in the same proportion that each represents of the total Financing. The payment allocated to the Ordinary Capital Financing shall be applied *pro rata* to each unpaid installment of principal. The payment allocated to the Fund for Special Operations Financing shall be applied against the single amortization installment.

(b) The Bank may cancel the part of the Financing pertaining to the procurement of certain goods, works or related services, or consulting services, or may declare the portion of the loan pertaining to such items immediately due and payable, if it determines at any time that: (i) the procurement was carried out without following the procedures set forth in this Contract; or (ii) representatives of the Borrower, Executing Agency or Contracting Agency have committed any act of fraud or corruption, either in the process of selecting the contractor or supplier or consultant, or in the negotiation or execution of the respective contract, and the Borrower has not taken timely and remedial measures, observing the due process guarantees of the Borrowing country's legislation, and acceptable to the Bank. Any cancellation shall be deemed made with respect to the Ordinary Capital Financing and the Fund for Special Operations Financing, in the percentage that each represents of the total amount of the Financing.

(c) For the purposes of the above paragraph, acts of fraud and corruption shall be understood to include, but not be limited to, acts of: (i) a corrupt practice is the offering, giving, receiving, or soliciting, directly or indirectly, of something of value to influence the actions of another party; (ii) a fraudulent practice is any act or omission, including a misrepresentation, which deliberately or as a result of gross negligence, misleads, or attempts to mislead, a party in order to obtain a financial or other benefit or to avoid an obligation; (iii) a coercive practice is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or property of the party to influence in an inappropriate manner the actions of a party; and (iv) a collusive practice is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.

(d) If, in accordance with the administrative procedures of the Bank, it is demonstrated that any firm, entity or individual bidding for or participating in a Bank-financed project including, *inter alia* Borrower, bidders, suppliers, contractors, sub-contractors, concessionaires, applicants, consultants, Executing Agency or Contracting Agency (including their respective officers, employees and agents) has engaged in an act of fraud or corruption, the Bank may:

- (i) decide not to finance any proposal to award a contract or a contract awarded for works, goods, related services and consultant services financed by the Bank;
- (ii) suspend disbursement of the operation as described in Article 5.01 (g) above of these General Conditions, if it is determined at any stage that evidence is sufficient to support a finding that an employee, agent or representative of the Borrower,

Executing Agency or Contracting Agency has engaged in an act of fraud or corruption;

- (iii) cancel, and/or accelerate repayment of, the portion of a loan or grant earmarked for a contract as described in Article 5.02 (b) above of these General Conditions, when there is evidence that the representative of the Borrower has not taken the adequate remedial measures within a time period which the Bank considers reasonable, and in accordance with the due process guarantees of the Borrowing country's legislation;
- (iv) issue a reprimand in the form of a formal letter of censure of the firm, entity or individual's behavior;
- (v) issue a declaration that an individual, entity or firm is ineligible, either permanently or for a stated period of time, to be awarded or participate in contracts under Bank-financed projects except under such conditions as the Bank deems to be appropriate;
- (vi) refer the matter to appropriate law enforcement authorities; and/or
- (vii) impose other sanctions that it deems to be appropriate under the circumstances, including the imposition of fines representing reimbursement of the Bank for costs associated with investigations and proceedings. Such other sanctions may be imposed in addition to or in lieu of other sanctions.

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

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

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

ARTICLE 5.05. Provisions not Affected. The application of any of the measures provided for by this Chapter shall not affect the obligations of the Borrower established in this Contract, which shall

remain in full force and effect, except that in case the entire Loan has been declared due and payable, only the pecuniary obligations of the Borrower shall continue in force.

CHAPTER VI

Execution of the Project

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

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

ARTICLE 6.02. Prices of Public Tenders. Contracts for execution of works, procurement of goods, and rendering of services for the Project shall be undertaken at a reasonable cost which shall generally be the lowest market price, taking into account quality, efficiency, and any other pertinent factors.

ARTICLE 6.03. Use of Goods. Except with the express authorization of the Bank, the goods acquired with the resources of the Financing shall be used exclusively for the purposes of the Project. Once the Project has been completed, the construction machinery and equipment utilized in the execution of the Project may be used for other purposes.

ARTICLE 6.04. Additional Resources. (a) The Borrower shall contribute in a timely manner all the resources in addition to those of the Loan which may be necessary for the complete and uninterrupted execution of the Project. If during the process of disbursement of the Financing an increase in the estimated cost of the Project arises, the Bank may require the modification of the investment schedule referred to in Article 4.01(1) of these General Conditions in order that the Borrower shall meet such increase.

(b) Within the first sixty (60) days of each calendar year of Project execution, the Borrower shall demonstrate to the Bank that it will have available when needed, the resources necessary to make the local contribution during the respective year, , if any.

CHAPTER VII
Records, Inspections and Reports

ARTICLE 7.01. Internal Control and Records. The Borrower or the Executing Agency, or the Contracting Agency, as the case may be, shall maintain an appropriate system of internal accounting and administrative controls. The accounting system shall be organized so as to provide the necessary documentation to permit the verification of transactions and facilitate the timely preparation of financial statements and reports. The records of the Project shall be maintained for a minimum of three (3) years after the date of final disbursement of the Loan, in such a way that: (a) make it possible to identify the sums received from the various sources; (b) show, in accordance with the catalogue of accounts approved by the Bank, the investments in the Project, both with the resources of the Loan and with the other funds to be provided for its complete execution; (c) include sufficient detail to show the works performed, goods acquired and the services contracted, as well as the utilization of such works, goods and services; and (d) such documents include documentation relating to the bidding process and the execution of the contracts financed by the Bank including, but not limited to, bid requests, bid packages, summaries, bid evaluations, contracts, correspondence, work product and drafts, and invoices, including documents relating to the payment of commissions, and payments to agents, consultants and contractors; and (e) show the cost of the investments in each category and the progress of the works. With respect to credit programs, the records shall also detail the credits granted, the recoveries obtained, and the utilization of the funds recovered.

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

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

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

(d) If the Borrower, the Executing Agency or Contracting Agency, as the case may be, refuses to comply with the Bank's request, or otherwise obstructs the Bank's review of the matter,

the Bank in its sole discretion, may take appropriate action against the Borrower, Executing Agency or Contracting Agency, as the case may be.

ARTICLE 7.03. Reports and Financial Statements. (a) The Borrower or the Executing Agency, as appropriate, shall present to the Bank the following reports, within the periods specified with respect to each:

- (i) Reports on the execution of the Project, in the format established in the initial report mentioned in Article 4.01(c)(iv) of these General Conditions, within sixty (60) days following the end of each calendar Semester, or within such other period as the parties may agree, prepared in accordance with the relevant rules agreed to with the Bank.
- (ii) Such other reports as the Bank may reasonably request regarding the investment of the sums lent, the use of goods acquired with such sums, and the progress of the Project.
- (iii) Three copies of the financial statements for the entire Project as of the close of each fiscal year of the Executing Agency, and supplementary financial information relating to such statements. Such financial statements shall be submitted within one hundred twenty (120) days following the close of each fiscal year of the Executing Agency, beginning with the fiscal year in which the Project was initiated and during the period stipulated in the Special Conditions.
- (iv) When the Special Conditions so require, three copies of the financial statements of the Borrower as of the close of each fiscal year, and supplementary financial information relating to such statements. The financial statements shall be submitted during the period stipulated in the Special Conditions, beginning with the fiscal year in which the Project was initiated and within one hundred twenty (120) days following the close of each fiscal year of the Borrower. This obligation shall not apply if the Borrower is the Republic or the Central Bank.
- (v) When the Special Conditions so require, three copies of the financial statements of the Executing Agency as of the close of each fiscal year, and supplementary financial information relating to such statements. The statements shall be submitted during the period stipulated in the Special Conditions, beginning with the fiscal year in which the Project was initiated and within one hundred twenty (120) days following the close of each fiscal year of the Executing Agency.

(b) The statements and documents described in subparagraphs (a)(iii), (iv) and (v) shall be submitted with the opinion of the auditing entity specified in the Special Conditions of this Contract

and in accordance with requirements satisfactory to the Bank. The Borrower or the Executing Agency, as the case may be, shall authorize the auditing entity to provide the Bank with any additional information it may reasonably request with respect to the financial statements and audit reports issued.

(c) In cases in which the audit is to be performed by the Official Auditing Authority and such authority is unable to perform the audit in accordance with requirements satisfactory to the Bank or within the periods mentioned above, the Borrower or the Executing Agency shall contract the services of a firm of independent public accountants acceptable to the Bank. The services of a firm of independent public accountants may also be utilized if the contracting parties so agree.

CHAPTER VIII

Provision on Encumbrances and Exemptions

ARTICLE 8.01. Commitment on Encumbrances. If the Borrower should agree to create any specific encumbrance on all or part of its assets or revenues to secure an external debt, it shall at the same time create an encumbrance guaranteeing to the Bank, equally and proportionally, the fulfillment of the monetary obligations arising from this Contract. However, the foregoing shall not apply: (a) to encumbrances on goods used as security for payment of the unpaid balance of the purchase price; and (b) to encumbrances created in banking operations to secure payment of debts with maturities of not more than one year. In the event that the Borrower is a member country, the term "assets or revenues" shall mean all types of assets or revenues which belong to the Borrower or any of its dependent agencies which are not autonomous entities with their own separate capital.

ARTICLE 8.02. Tax Exemption. The Borrower undertakes to ensure that both the principal and the interest and other charges of the Loan shall be paid without any deduction or restriction whatsoever, exempt from any tax, fee, duty or charge established or that may be established by the laws of its country, and to pay any tax, fee, or duty applicable to the signing, negotiation, and execution of this Contract.

CHAPTER IX

Arbitration Procedure

ARTICLE 9.01. Composition of the Tribunal. (a) The Arbitration Tribunal shall be composed of three members to be appointed in the following manner: one by the Bank, another by the Borrower, and a third, hereinafter called the "Referee", by direct agreement between the parties or through their respective arbitrators. If the parties or the arbitrators fail to agree on who the Referee shall be, or if one of the parties should not designate an arbitrator, the Referee shall be appointed, at the request of either party, by the Secretary General of the Organization of American States. If either of the parties

fails to appoint an arbitrator, one shall be appointed by the Referee. If either of the appointed arbitrators or the Referee is unwilling or unable to act or to continue to act, his successor shall be appointed in the same manner as for the original appointment. The successor shall have the same functions and faculties as his predecessor.

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

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

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

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

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

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

ARTICLE 9.05. Costs. The fees of each arbitrator shall be paid by the party which appointed him and the fees of the Referee shall be paid by both parties in equal proportion. Prior to the convening of the Tribunal, the parties shall agree on the remuneration of the other persons who, by mutual agreement, they deem should take part in the arbitration proceedings. If such agreement is not reached in a timely manner, the Tribunal itself shall determine the compensation which may be

reasonable for such persons under the circumstances. Each party shall defray its own expenses in the arbitration proceedings, but the expenses of the Tribunal shall be borne equally by the parties. Any doubt regarding the division of costs or the manner in which they are to be paid shall be determined, without appeal, by the Tribunal.

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

APPENDIX**AGRICULTURAL EXPORT DIVERSIFICATION PROGRAM**

Categories	BANK (FSO-OC)	BORROWER	Total	%
1. Administration and Supervision	2,358	0	2,358	10.8
1.1 ASDU	1,251	0	1,251	5.7
1.2 WGs and AHFSC administration	1,107	0	1,107	5.1
2. Direct Costs	16,592	949	17,541	80.0
2.1 Private Sector Entrepreneurship	5,979	0	5,979	27.3
a. Promotion of agribusiness	2,947	0	2,947	13.4
b. Supporting business plans	2,000	0	2,000	9.1
c. Agribusiness Facilities	1,032	0	1,032	4.7
2.2 Agribusiness export and facilitation services	2,541	28	2,569	11.7
a. Support to technology and transfer	1,949	0	1,949	8.9
b. Land access	560	28	588	2.7
c. Market information	32	0	32	0.1
2.3 Agriculture Health and Food Safety	5,372	621	5,993	27.3
a. Policy and coordination mechanisms	212	0	212	1.0
b. Plant Health Enhanced	1,561	188	1,749	8.0
c. Animal Health Enhanced	2,069	249	2,318	10.6
d. Food Safety Assured	1,166	140	1,306	6.0
e. Pesticide and Toxic Chemicals	364	44	408	1.9
2.4 Drainage & Irrigation Rehabilitation	2,700	300	3,000	13.7
3. Evaluation and Monitoring	300	0	300	1.4
4. Auditing	120	0	120	0.5
5. Contingencies	230	0	230	1.0
6. Financial costs	1,300	70	1,370	6.2
6.1 Interest	1,300	0	1,300	5.9
6.2 Commitment fee	0	70	70	0.3
6.3 FIV	0	0	0	0.0
Total	20,900	1,019	21,919	100.0
Percentage by source of financing	95.4	4.6	100.0	

LOAN CONTRACT No. 1938/BL-GY

between the

CO-OPERATIVE REPUBLIC OF GUYANA

and the

INTER-AMERICAN DEVELOPMENT BANK

Power Sector Support Program

April 6, 2008