

LOAN CONTRACT No. 3787/OC-BH

between

THE COMMONWEALTH OF THE BAHAMAS

and the

INTER-AMERICAN DEVELOPMENT BANK

Skills for Current and Future Jobs in The Bahamas

July _____, 2018

LOAN CONTRACT

SPECIAL CONDITIONS

This loan contract, hereinafter the “Contract,” is entered into between the COMMONWEALTH OF THE BAHAMAS, hereinafter referred to as the “Borrower,” and the INTER-AMERICAN DEVELOPMENT BANK, hereinafter referred to as the “Bank” and together with the Borrower, as the “Parties,” on July ____, 2018.

CHAPTER I

Purpose and Constituent Elements of the Contract

SECTION 1.01. Purpose of the Contract. The purpose of this Contract is to establish the terms and conditions under which the Bank grants a loan to the Borrower to contribute to the financing and execution of a Program called Skills for Current and Future Jobs in The Bahamas, the main aspects of which are set forth in the Annex.

SECTION 1.02. Constituent Elements of the Contract. This Contract is composed of these Special Conditions, the General Conditions, and the Annex.

CHAPTER II

The Loan

SECTION 2.01. Amount and Approval Currency of the Loan. In accordance with this Contract, the Bank agrees to lend to the Borrower, and the Borrower accepts, a loan of up to the amount of twenty million Dollars (US\$20,000,000), hereinafter the “Loan.”

SECTION 2.02. Disbursement Requests and Disbursement Currency. (a) The Borrower may request Loan disbursements from the Bank pursuant to Chapter IV of the General Conditions.

(b) All disbursements shall be denominated and made in Dollars, unless the Borrower requests that a disbursement be denominated in a currency other than the Dollar, pursuant to the provisions of Chapter V of the General Conditions.

SECTION 2.03. Currency Availability. If the Bank is unable to obtain access to the currency requested by the Borrower, the Bank, in consultation with the Borrower, may disburse the Loan in another currency of its choice.

SECTION 2.04. Disbursement Period. The Original Disbursement Period will be six (6) years from the effective date of this Contract. Any extension of the Original Disbursement Period shall be subject to the provisions of Article 3.02(g) of the General Conditions.

SECTION 2.05. Amortization Schedule. The Final Amortization Date shall be twentyfour (24) years from the date of signature of this Contract. The Original WAL of the Loan is fifteen point twenty five (15.25) years.

(b) The Loan shall be repaid by the Borrower in semiannual, consecutive, and insofar as possible, equal installments. The first installment shall be due from the Borrower on the expiration date of the seventy-eight (78) month period following the effective date of this Contract, and the last installment shall be paid no later than the Final Amortization Date. If the expiration date of the period for the payment of the first amortization installment does not fall on the 15th day of the month, the payment of the first amortization installment shall be made on the interest payment date immediately preceding the expiration date of such period. If the Final Amortization Date does not fall on an interest payment date, the payment of the last amortization installment shall be made on the interest payment date immediately preceding the Final Amortization Date.

(c) The Parties may agree to modify the Amortization Schedule of the Loan as set forth in Article 3.02 of the General Conditions.

SECTION 2.06. Interest. (a) The Borrower shall pay interest on the daily Outstanding Loan Balances at a rate determined pursuant to the provisions of Article 3.03 of the General Conditions.

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

SECTION 2.07. Credit Fee. The Borrower shall pay a credit fee on the dates set forth in Section 2.06(b) for the payment of interest, pursuant to Articles 3.01, 3.04, 3.05, and 3.07 of the General Conditions.

SECTION 2.08. Resources for Inspection and Supervision. The Borrower shall not be required to cover the Bank's expenses for general inspection and supervision, unless the Bank establishes otherwise pursuant to Article 3.06 of the General Conditions.

SECTION 2.09. Conversion. The Borrower may request Currency Conversions and/or Interest Rate Conversions from the Bank at any time during the term of the Contract, as set forth in Chapter V of the General Conditions.

(a) **Currency Conversion.** The Borrower may request that a disbursement of all or part of the Outstanding Loan Balance be converted to a Principal Currency or a Local Currency, which the Bank can efficiently obtain, subject to the Bank's operational and risk management considerations. It is understood that any disbursement denominated in Local Currency shall

constitute a Currency Conversion, even when the Approval Currency is the same Local Currency.

(b) **Interest Rate Conversion.** The Borrower may request, with respect to all or part of the Outstanding Loan Balance, that the LIBOR-Based Interest Rate be converted to a fixed interest rate or any other Interest Rate Conversion option requested by the Borrower and accepted by the Bank.

CHAPTER III

Disbursements and Utilization of the Resources of the Loan

SECTION 3.01. Special Conditions Precedent to First Disbursement. In addition to the conditions precedent stipulated in Article 4.01 of the General Conditions, prior to the first disbursement of the resources of the loan, the Ministry of Labor (ML) shall provide evidence that:

- (i) the Program Execution Unit (PEU) has been created within the structure of the ML and that, at least, the Program coordinator, procurement specialist, and fiduciary specialist have been selected, pursuant to the terms of reference satisfactory to the Bank;
- (ii) the Program Operating Manual (POM) has been approved in the terms previously agreed with the Bank, including fiduciary management arrangements, the Pluriannual Execution Plan (PEP), financial plan and execution plan; and
- (iii) an agreement between the ML and the Ministry of Public Works (MPW), establishing the coordination aspects for the execution of Component 2, has been executed and entered into force.

SECTION 3.02. Utilization of the Resources of the Loan. (a) The resources of the Loan may only be used to pay expenses that: (i) are necessary for the Program and are in accordance with its objectives; (ii) are carried out in accordance with the provisions of this Contract and Bank policies; (iii) are adequately recorded and documented in the Borrower's or Executing Agency's system; and (iv) are incurred after November 2, 2016 and before the expiration of the Original Disbursement Period or any extensions thereof; such expenses are hereinafter referred to as "Eligible Expenditures."

(b) Notwithstanding the provisions of paragraph (a) of this Section, expenditures that meet the requirements of its subsection (i) and (iii), related to the activities financed by Component 2 of the Program, up to the equivalent of five hundred thousand Dollars (US\$500,000), may be recognized by the Bank as Eligible Expenditures, provided that they have been incurred between May 6, 2016 and November 2, 2016, in accordance with substantially

analogous conditions to those established in this Contract; and with respect to procurement, the contracting procedures must be in conformity with the Procurement and Consultant Policies.

SECTION 3.03. Applicable Exchange Rate for Expenditures Incurred in Local Currency of the Borrower's Country. For purposes of Article 4.10 of the General Conditions, the Parties agree that the applicable exchange rate shall be that which is indicated in subsection a (ii) of said Article. For this purpose, the exchange rate to be applied will be that in effect on the day 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 related payments to the contractor or supplier.

CHAPTER IV **Execution of the Program**

SECTION 4.01. Additional Resources. (a) For purposes of Article 6.02 of the General Conditions, the amount of the Additional Resources is estimated to be the equivalent of thirty million Dollars (US\$30,000,000).

(b) The Bank may recognize, as part of the Additional Resources, expenditures that: (i) are necessary for the Program and in accordance with its objectives; (ii) are carried out in accordance with the provisions of this Contract and Bank policies; (iii) are adequately recorded and documented in the Borrower's or Executing Agency's system; (iv) are carried out after November 2, 2016 and before the expiration of the Original Disbursement Period or any extensions thereof; and (v) with respect to procurement, are of satisfactory quality and compatible with what is established in the Program, are delivered or completed in a timely manner; and are priced so as not to adversely affect the economic and financial viability of the Program.

(c) Notwithstanding the provisions of paragraph (b) above, the Bank may also recognize, as part of the Additional Resources, expenditures that have been incurred between May 6, 2016 and November 2, 2016 for activities financed by Component 2 of the Program, of up to the equivalent of US\$1,250,000 (one million, two hundred and fifty thousand Dollars), which conform substantially to requirements established in this Contract; and, with respect to procurement, are of satisfactory quality and compatible with the provisions of the Program, delivered or completed in a timely manner and at prices that do not adversely impact the economic and financial viability of the Program.

SECTION 4.02. Executing Agency. The Borrower, acting through the ML, shall be the Executing Agency of the Program.

SECTION 4.03. Procurement of Goods, Works, and Non-consulting Services. (a) For purposes of Article 2.01(59) of the General Conditions, the Parties agree that the Procurement Policies are those dated March 2011, which are contained in document GN2349-9, approved by the Bank on 19 April, 2011. If the Procurement Policies are amended by the Bank, the

procurement of goods, works, and non-consulting services shall be carried out in accordance with the provisions of the modified Procurement Policies, once they are made known to the Borrower and the Borrower agrees in writing to their application.

(b) For the procurement of works, goods, and non-consulting services, any of the methods described in the Procurement Policies may be used, provided that such method has been identified for the respective procurement in the Procurement Plan approved by the Bank. The country system or subsystems described in Article 6.04(b) of the General Conditions may also be used.

(c) The threshold for determining the use of international competitive bidding will be made available to the Borrower or the Executing Agency, as the case may be, at www.iadb.org/procurement. Below that threshold, the selection method shall be determined according to the complexity and characteristics of the procurement, which should be reflected in the Procurement Plan approved by the Bank.

(d) Regarding the use of the national competitive bidding method, the respective national competitive bidding procedures may be used provided that, in the opinion of the Bank, these procedures ensure economy, efficiency, transparency, and general consistency with the provisions of Section I of the Procurement Policies, taking into account the provisions of paragraph 3.4 of the Procurement Policy, among others.

SECTION 4.04. Selection and Contracting of Consulting Services. (a) For purposes of Article 2.01(15) of the General Conditions, the Parties agree that the Consultant Policies are those dated March 2011, which are contained in document GN23509, approved by the Bank on 19 April 2011. If the Consultant Policies are amended by the Bank, the selection and contracting of consulting services shall be carried out in accordance with the provisions of the modified Consultant Policies, once they are made known to the Borrower and the Borrower agrees in writing to their application.

(b) For the selection and contracting of consulting services, any of the methods described in the Consultant Policies may be used, provided that such method for the respective procurement has been identified in the Procurement Plan approved by the Bank. The country systems described in Article 6.04(b) of the General Conditions may also be used.

(c) The threshold for determining the shortlist of international consultants will be made available to the Borrower or the Executing Agency, as the case may be, at www.iadb.org/procurement. Below that threshold, the shortlist may be composed entirely of national consultants of the Borrower's country.

SECTION 4.05. Procurement Plan Update. In order to update the Procurement Plan in accordance with the provisions of Article 6.04(c) of the General Conditions, the Borrower shall use the procurement plan execution and monitoring system determined by the Bank.

SECTION 4.06. Other Execution-related Special Obligations. Prior to execution of the activities of Component 2, the Executing Agency shall provide evidence: (a) that a revised Environmental and Social Management Plan (ESMP) included in an Environmental Impact Assessment (EIA) has been presented for approval by the Bank; and (b) of compliance with the obligations established in the POM and Environmental and Social Management Report (ESMR) for such component.

SECTION 4.07. Operations Manual. 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 POM, referred to in Section 3.01 of these Special Conditions, on the understanding that any changes to the POM will require the prior written non-objection of the Bank. The overall need to update the POM will be assessed yearly during Program implementation. If any provision of the POM should present any inconsistency or contradiction with the terms and conditions set forth in this Contract, the provisions of this Contract shall prevail.

CHAPTER V
Supervision and Evaluation of the Program

SECTION 5.01. Supervision of Program Execution. For purposes of Article 7.02 of the General Conditions, the documents that, as of the date of signature of this Contract, have been identified as necessary to supervise progress in the execution of the Program are:

(a) the Pluriannual Execution Plan (PEP), which will be prepared by the ML, through the PEU, pursuant to the POM, and submitted to the Bank within sixty (60) days of eligibility;

(b) the Annual Operations Plan (AOP), which will be prepared by the ML, through the PEU, pursuant to the POM, and submitted to the Bank at least thirty (30) days prior to the start of each calendar year during Program execution. The AOP will detail Program execution activities associated implementation plans for the year, and will include for each programmed activity: annual goals, budget, and implementation schedule; and

(c) semi-annual progress reports, which will be prepared by the Executing Agency, through the Program Executing Unit, and submitted to the Bank within sixty (60) days of the end of each calendar semester during Program execution, and will include, among others, accomplishments and progress made on the indicators included in the results framework as well as the PEP, POA, and Procurement Plan.

SECTION 5.02. Supervision of the Financial Management of the Program. (a) For purposes of Article 7.03 of the General Conditions, as of the date of signature of this Contract, the following external audit financial reports and other reports have been identified as necessary to supervise the financial management of the Program:

- (i) semi-annual financial statements, as set forth in Section 5.01(c) above;
- (ii) annual Audited Financial Statements, within one hundred and twenty (120) days of the closing of each fiscal year; and
- (iii) a final Audited Financial Statement, within one hundred and twenty (120) days of the closing (i.e. last disbursement date) of the Program.

(b) For purposes of Article 7.03(a) of the General Conditions, the fiscal year of the Program is the period between July 1 and June 30 of each year.

SECTION 5.03. Evaluation of Results. In order to determine the degree of compliance with the Program's objective and its results, the Borrower or the Executing Agency, as the case may be, shall provide the Bank with the following information: report of the mid-term evaluation, which will be presented to the Bank up to ninety (90) days after the end of forty-eight (48) months from the date of the signature of the loan contract, and a report of the final evaluation, which will be presented to the Bank up to one hundred and eighty (180) days after ninety percent (90%) of Loan resources have been disbursed. The evaluations will include: (i)

baseline and advances to date of the indicators contemplated in the results matrix; (ii) explanation of methodology and assumptions used to create baseline and values for indicators; (iii) explanation of any adjustments to any of the indicators of the results matrix; and (iv) list and links to sources of databases/information for indicators.

CHAPTER VI
Miscellaneous Provisions

SECTION 6.01. Entry into Effect of the Contract. This Contract shall enter into effect on the signature date.

SECTION 6.02. Communications and Notices. (a) Any notice, request, communication, or report from one Party to another by virtue of this Contract related to the execution of the Program, with the exception of the notices indicated in paragraph (b) hereof, shall be made in writing and shall be considered to have been made when the relevant document is delivered to the addressee at the respective address given below, or by electronic means under such terms and conditions as the Bank establishes and communicates to the Borrower, unless the Parties agree otherwise.

For the Borrower:

Mailing address:

Ministry of Finance
Cecil Wallace-Whitfield Centre
West Bay Street
P.O. Box N-3017
Nassau, NP
The Bahamas

Facsimile: (242) 327-1618

For the Executing Agency:

Mailing address:

Ministry of Labour
P.O. Box N-6300
Nassau, NP
The Bahamas

Facsimile: (242) 328-6300

For the Bank:

Mailing address:

Inter-American Development Bank
Country Office in The Bahamas
P.O. No N-3743
Nassau, NP
The Bahamas

Facsimile: (242) 393-8430

E-mail: Cof-CBH@iadb.org

(b) Any notice from one party to another by virtue of this Contract regarding matters other than those related to the execution of the Program, including disbursement requests, shall be made in writing and sent by certified mail, electronic mail, or facsimile addressed to its addressee at any of the respective addresses given below and shall be considered to have been made when the relevant document is delivered to the addressee at the respective address given below, or by electronic means under such terms and conditions as the Bank establishes and communicates to the Borrower, unless the Parties agree otherwise.

For the Borrower:

Mailing address:

Ministry of Finance
Cecil Wallace-Whitfield Centre
West Bay Street
P.O. Box N-3017
Nassau, NP
The Bahamas

Facsimile: (242) 327-1618

For the Bank:

Mailing address:

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

Facsimile: (202) 623-3096

SECTION 6.03. Commitment to Arbitrate. For the resolution of any conflict arising out of or connected with this Contract and which is not resolved by agreement between the Parties, they unconditionally and irrevocably submit themselves to the procedure and ruling of the Arbitration Tribunal referred to in Chapter XII 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 Nassau, The Bahamas on the date indicated above.

THE COMMONWEALTH OF THE
BAHAMAS

INTER-AMERICAN DEVELOPMENT
BANK

The Hon. Kevin Peter Turnquest
Deputy Prime Minister & Minister of Finance

Michael R. Nelson
Acting Representative of the Bank
in The Bahamas

As witness:

MINISTRY OF LABOUR

Dion Alexander Foulkes
Minister of Labour