

LOAN NUMBER 1212GU

LOAN AGREEMENT
(Second Education Project)
between
REPUBLIC OF GUATEMALA
and
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated March 5, 1976

LOAN AGREEMENT

AGREEMENT, dated March 5, 1976, between REPUBLIC OF GUATEMALA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Ministerio de Educación" means the Ministry of Education of the Borrower;

(b) "Ministerio de Agricultura" means the Ministry of Agriculture of the Borrower;

(c) "Project Unit" means the unit established and operated pursuant to Section 5.01(d) of the Loan Agreement dated December 16, 1968 between the Borrower and the Bank (hereinafter called the First Education Loan Agreement), within the Borrower's Ministry of Communications and Public Works, with the duties and responsibilities indicated in Schedule 5 to this Agreement;

(d) "First Education Project" means the project described in Schedule 3 to the First Education Loan Agreement, as amended;

(e) "Participating Institutions" means one or more public or private educational institutions, acceptable to the Bank, assisting the Borrower in carrying out the teacher training program included in Part C of the Project; and

(f) "Department of Curriculum Development" means the Dirección de Desarrollo de Curricula established by Resolution No. 478 of the Ministro de Educación of the Borrower dated December 18, 1975 and any successor thereto.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to fourteen million five hundred thousand dollars (\$14,500,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

Section 2.03. Except as the Bank shall otherwise agree, the goods, works and services (other than consultants' services) for the Project to be financed out of the proceeds of the Loan, shall be procured in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be December 31, 1979 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of eight and one half per cent ($8-1/2\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on June 15 and December 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with appropriate educational, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. Except as the Bank shall otherwise agree, the Borrower shall:

(a) for the purpose of carrying out Parts A and B of the Project, continue to operate the Project Unit until the Closing Date and to provide adequate support staff thereto;

(b) for the purpose of carrying out Parts C through E of the Project, continue to operate and provide adequate support staff to the Department of Curriculum Development;

(c) within six months of the date of this Agreement, take all the necessary steps to: (i) establish and make operative thereafter a Consejo de Administracion for both institutions included in Part A(4) of the Project, such Consejo de Administracion to include representatives of Ministerio de Educacion and Ministerio de Agricultura and (ii) appoint, and continue to employ thereafter, a director for said Consejo.

Section 3.03. In order to assist the Borrower in carrying out Parts C through E of the Project, the Borrower shall: (i) employ educational experts and specialists whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (ii) assign, for training with such consultants, such counterpart personnel as shall be required for the execution of the Project.

Section 3.04. Except as the Bank shall otherwise agree, the Borrower shall grant all fellowships included in the Project after consultation with the Bank, under terms and conditions satisfactory to the Bank.

Section 3.05. In order to assist the Borrower in the architectural design of the buildings and facilities for the educational institutions included in Part A of the Project, the Borrower shall, unless the Bank shall otherwise agree, employ architectural consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank.

Section 3.06. Except as the Bank shall otherwise agree, the Borrower shall take or cause to be taken all necessary action to establish, not later than six months from the date of this Agreement, and to maintain and operate thereafter until the Closing Date, such special technical committees as shall be acceptable to the Bank, which shall include, inter alia, representatives of Ministerio de Educación, Ministerio de Agricultura and the Project Unit, for purposes of (i) analyzing and reviewing architectural designs, and equipment and furniture lists and specifications for

the educational institutions included in the Project and (ii) certifying that such designs, lists and specifications meet the economic and functional standards and costs and the educational objectives of each such institution.

Section 3.07. (a) The Borrower shall furnish to the Bank for review, promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower: (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan, and to disclose the use thereof in the Project; (ii) shall enable the Bank's accredited representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

Section 3.08. Except as the Bank shall otherwise agree the Borrower shall:

(a) within six months from the date of this Agreement: (i) complete and put into effect an operational plan satisfactory to the Bank, including adequate arrangements with the Participating

Institutions and a timetable for the implementation of such plan, suitable to carry out Part C of the Project; and (ii) put into effect such plan after consultation with the Bank.

(b) Within one year from the date of this Agreement, (i) develop and furnish to the Bank for comment a comprehensive long-term plan for the recruitment, selection, and training of secondary teachers and administrators with a view to securing appropriate secondary school staffing and developing a permanent institutional capacity for both pre-service and in-service training for such teachers and administrators, and (ii) put into effect such plan after affording the Bank a reasonable opportunity to comment thereon.

(c) Within one year from the date of this Agreement, furnish to the Bank for review the detailed curricula for practical subjects to be taught in the educational institutions included in the Project.

(d) Within two years from the date of this Agreement establish, after consultation with the Bank and thereafter maintain, a tracer mechanism to be used in carrying out a systematic follow-up study of student dropout, graduation and subsequent employment of students who have attended the educational institutions included in the Project whether or not they have received further education or training, affording the Bank a reasonable opportunity to comment on any further changes in such tracer mechanism.

Section 3.09. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

Section 3.10. The Borrower shall, after consulting with the Bank on the suitability of the sites selected by the Borrower, take all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for the construction (and operation) in such sites of the facilities included in the Project, and shall furnish to the Bank, promptly after such acquisition and before starting construction on each such site, evidence satisfactory to the Bank that such land and rights in respect of land are available for purposes related to the Project.

Section 3.11. The Borrower shall take all necessary action to permit, without interfering with the ordinary use thereof by students attending the regular classes therein, the free utilization of (i) not less than nine schools from among those included in Part A(1) of the Project, (ii) not less than one school from among those included in Part A(2) of the Project, and (iii) the two common facilities centers included in Part A(3) of the Project, by non-formal education and training agencies of the Borrower.

Section 3.12. The Borrower shall take all measures necessary to provide the institutions included in Part A(4) of the Project with a student admittance policy in line with the educational objectives of the Borrower and, to that end, no student shall be admitted to such institutions (i) who is less than 13 years of age, and (ii) unless careful and due consideration has been given to such student's linguistic and socio-economic background.

ARTICLE IV

Other Covenants

Section 4.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, specific security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Borrower, in creating or permitting the creation of such lien, shall make express provision to that effect; provided, however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Borrower shall promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.

(b) The foregoing undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely

as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) As used in this Section, the term "public assets" means assets of the Borrower, of any political or administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Borrower or any such subdivision, including gold and other foreign exchange assets held by any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Borrower.

Section 4.02. The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

Section 4.03. The Borrower shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 4.04. (a) The Borrower shall provide the educational institutions included in the Project with the necessary number of fully qualified and trained teaching and administrative staff who shall serve therein on a full-time basis and, only when such

fully qualified and trained secondary teachers are not available on such a full-time basis, employ, temporarily, (i) such teachers on a part-time basis or (ii) less than fully qualified and trained secondary teachers either on a full-time or a part-time basis.

(b) The Borrower shall take all the necessary steps to give preference in the employment of teaching and administrative staff for the institutions included in the Project to graduates of the training courses included in Part C of the Project.

Section 4.05. (a) The Borrower shall operate, or cause the Participating Institutions to operate, the institutions included in, or related to, the Project in accordance with appropriate administrative and educational policies and practices and with due regard to economy so as to promote the training and other educational objectives of the Borrower, and shall appropriate or cause to be appropriated, specific annual budget allocations for each such educational institution in such amounts as shall be necessary for such operation.

(b) The Borrower shall: (i) cause the buildings, equipment and furniture of the institutions included in the Project to be adequately inspected and maintained and cause all necessary repairs and renewals thereof to be made, all in accordance with sound administrative and technical standards and (ii) without limiting the generality of sub-paragraph (i) herein, appropriate or cause to be appropriated, specific annual budget allocations for each institution included in the Project which shall amount to not less than (A) one per cent (1%) of the replacement cost of each such institution estimated at the end of each fiscal year

for the first four calendar years after completion of construction of each such institution, and (B) one and one half per cent (1-1/2%) of such replacement cost thereafter.

Section 4.06. The Borrower shall, before undertaking any expansion of the institutions included in Part A(4) of the Project, carry out an evaluation of (a) the effectiveness of the training programs for, and the operation of, such institutions and (b) the availability and qualifications of the teachers and administrative staff for such institutions.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions:

(a) that the appointment of a director to the Department of Curriculum Development who shall be, inter alia, responsible for coordinating between the Department of Curriculum Development and the Project Unit, in a manner satisfactory to the Bank, the activities related to the Project, has been made; and

(b) that the appointment of an officer from the staff of Ministerio de Agricultura who shall be responsible for coordinating between Ministerio de Agricultura and the Project Unit, in a manner satisfactory to the Bank, the activities related to Part A(4) of the Project, has been made.

Section 5.02. The date May 4, 1976, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Ministro de Educacion of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Educación
Palacio Nacional
Guatemala
República de Guatemala

Cable address:

MINIEDUCACION
Guatemala, Guatemala

For the Bank:

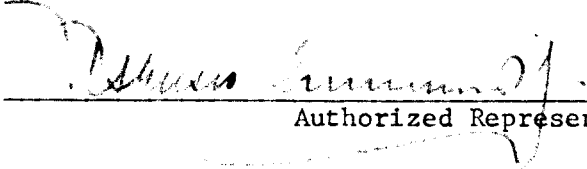
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

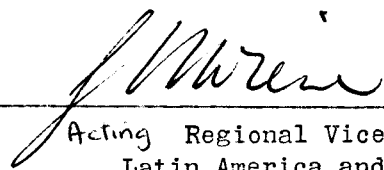
INTBAFRAD
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF GUATEMALA

By 
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By 
Acting Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of amounts of such proceeds to each Category and the percentage of eligible expenditures to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) <u>Civil Works and Professional Fees</u>		45%
(a) Parts A(1), A(3) and A(4) of the Pro- ject	4,800,000	
(b) Part A(2) of the Project	900,000	
(2) <u>Furniture</u>		100% of foreign expenditures and 85% of total ex- penditures for locally procured goods
(a) Parts A(1), A(3) and A(4) of the Project	1,170,000	
(b) Part A(2) of the Project	230,000	

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(3) <u>Equipment</u>		100% of foreign expenditures and 85% of total expenditures for locally procured goods
(a) Parts A(1), A(3), A(4) and C of the Project	2,260,000	
(b) Part A(2) of the Project	310,000	
(c) Part B of the Project	300,000	
(4) <u>Technical Assistance</u>		100%
(a) Specialist Services	500,000	
(b) Fellowships	450,000	
(5) <u>Training of Teachers and Administrative Staff</u>	630,000	100%
(6) <u>Project Administration</u>		
Salaries of following Project Unit staff: Project Director, engineer, architect, accountant and procurement officer.	160,000	100%

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(7) <u>Studies</u>	150,000	100%
(8) <u>Unallocated</u>	2,640,000	
	<hr/>	
TOTAL	14,500,000	
	<hr/> <hr/>	

2. For the purposes of this Schedule the term "foreign expenditures" means expenditures in the currency of any country other than the Borrower and for goods or services supplied from the territory of any country other than the Borrower.

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Loan decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Bank.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of expenditures:

(a) prior to the date of this Agreement, except that withdrawals may be made in respect of professional fees under Categories (1), (4) and (6) on account of expenditures incurred after July 1, 1975 in an aggregate amount not exceeding the equivalent of \$300,000; and

(b) to be financed under:

- (i) Categories (1)(b), (2)(b) and (3)(b), until the Bank has been furnished with curricula, satisfactory to the Bank, for the schools included in Part A(2) of the Project; and

- (ii) Category (3)(c), until the Bank has been furnished with (A) in respect of expenditures for the secondary schools included in Part B of the Project, curricula for the upper secondary level, satisfactory to the Bank, to be applied in such schools; and (B) in respect of expenditures for the Agricultural Technical Institute Bárcenas (ITA) included in Part B of the Project, with a phased program, satisfactory to the Bank, to train and upgrade the teaching staff of such Institute.

5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.

SCHEDULE 2

Description of the Project

The purpose of the Project is to assist the Borrower in (i) improving and expanding pre-vocational instruction for both lower and upper secondary education with a view to providing an output of graduates more in keeping with the Borrower's economic development needs; (ii) alleviating critical shortages of qualified secondary teachers and school administrators; (iii) improving agricultural education; and (iv) providing for the multiple use of educational facilities by both formal and non-formal education and training agencies of the Borrower.

The Project includes:

Part A:

- (1) Construction, furnishing and equipping of eleven new lower secondary schools (grades 7-9) and extension of three existing lower secondary schools (grades 7-9), substantially as detailed in paragraph A of the Exhibit to this Schedule (hereinafter called "the Exhibit").
- (2) Construction, furnishing and equipping of two combined upper and lower secondary schools (grades 7-12) and extension of one existing combined upper and lower secondary school (grades 7-12) substantially as detailed in paragraph B of the Exhibit.

- (3) Construction, furnishing and equipping of two common facilities centers, substantially as detailed in paragraph C of the Exhibit.
- (4) Construction, furnishing and equipping of two agricultural training schools (Escuelas de Formación Agrícola) substantially as detailed in paragraph D of the Exhibit.

Part B:

Supplementing the equipping of seven secondary schools included in the First Education Project and of the Agricultural Technical Institute Barcenás (ITA).

Part C:

Training of about 600 teachers, and of about 100 administrators, supervisors and coordinators of institutions included in the Project and in the First Education Project.

Part D:

Improvement of teacher training, educational management, production of educational materials and curriculum development, through provision of expert and specialist services and fellowships all as substantially detailed in paragraph E of the Exhibit.

Part E:

Studies for (i) mapping existing educational resources, (ii) preparation of a pre-investment program aiming at the physical extension and qualitative improvement of the Borrower's educational system and (iii) setting up a tracer mechanism with a view to accomplishing the system set out in Section 3.08(d) of this Agreement.

* * * * *

The Project is expected to be completed by June 30, 1979.

EXHIBIT TO SCHEDULE 2

A. List of Schools included in Part A(1) of the Project*, including approximate location, construction area and number of student places for each school:

<u>Location</u>	<u>Approximate Size M² of Construction</u>	<u>Approximate Number of Student Places</u>
1. Alta Verapaz - San Pedro Carcha	2,100	320
2. Chimaltenango, Tecpan	2,300	360
3. Escuintla, Nueva Concepción	2,800	520
4. Guatemala, Mixco	4,100	800
5. Huehuetenango, Huehuetenango	2,300	360
6. Jalapa, Jalapa	3,000	520
7. Quezaltenango, Coatepeque	3,000	520
8. Quezaltenango, Quezaltenango	4,100	800
9. San Marcos, San Pedro Sacatepequez	3,000	520
10. San Marcos, San Marcos	3,000	520
11. Suchitepequez, San Pablo Jocopilas	2,300	360

* All new schools except where the asterisk indicates extension of an already existing school.

<u>Location</u>	<u>Approximate Size M² of Construction</u>	<u>Approximate Number of Student Places</u>
12. Alta Verapaz, Coban*	1,700	240
13. Chimaltenango, Chimaltenango*	1,600	200
14. Santa Rosa, Cuilapa*	1,900	200

Schools indicated by numbers 2, 4, 5, 6, 7, 8, 9, 10 and 12 above will be utilized in accordance with Section 3.11 of this Agreement.

* All new schools except where the asterisk indicates extension of an already existing school.

B. List of Schools included in Part A(2) of the Project*, including approximate location, construction area and number of student places for each school:

<u>Location</u>	<u>Approximate Size M² of Construction</u>	<u>Approximate Number of Student Places</u>
15. Guatemala, Guatemala Zona 10	3,800	880
16. Sacatepequez, Antigua	4,600	920
17. Petén, Flores*	2,800	240

The school indicated by number 16 above will be utilized in accordance with Section 3.11 of this Agreement.

* All new schools except where the asterisk indicates extension of an already existing school.

C. Common facilities centers under Part A(3) of the Project, including approximate location, construction area and student places are listed below. The main purpose of the centers will be the provision of workshops for practical subjects and laboratories for existing lower secondary schools with inadequate facilities therefor:

<u>Location</u>	<u>Approximate Size M² of Construction</u>	<u>Approximate Number of Student Places</u>
18. Guatemala, Guatemala Zona 2	3,700	480
19. Guatemala, Guatemala Zona 10	5,500	640

D. Agricultural training schools under Part A(4) of the Project including regions where they will be located, construction area and student places are listed below. The main purpose of these schools will be the preparation of students at the post-primary or equivalent level to perform direct functions in the Borrower's agricultural development through (i) employment in the public or private sector or (ii) self employment on farms.

<u>Location</u>	<u>Approximate Size M² of Construction</u>	<u>Approximate Number of Student Places</u>
20. Western Highlands region	1,300	210
21. North region	1,100	180

The approximate number of student places for the school indicated by number 20 above includes 30 places for purposes of non-formal education and training.

E. To attain the goals indicated in Part D of the Project, the Borrower will use about 11 man-years of expert and specialist services and about 45 man-years of fellowships abroad in the fields and for such a period of time as approximately are indicated below:

	<u>Aggregate Man-Years</u>
Teacher training and school management	2-1/2
Commercial, agricultural, industrial and home economics education	4
Educational management	2
Improvement of educational materials and of procurement	1-1/2
Development of non-formal education	1
<u>Fellowships</u>	
Upgrading of teacher-trainers in agricultural, industrial, commercial and home economics education	31
Curriculum development and educational management	10
Upgrading of directors of institutions included in the Project	4

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
June 15, 1986	140,000
December 15, 1986	150,000
June 15, 1987	155,000
December 15, 1987	165,000
June 15, 1988	170,000
December 15, 1988	175,000
June 15, 1989	185,000
December 15, 1989	195,000
June 15, 1990	200,000
December 15, 1990	210,000
June 15, 1991	215,000
December 15, 1991	230,000
June 15, 1992	235,000
December 15, 1992	245,000
June 15, 1993	260,000
December 15, 1993	265,000
June 15, 1994	280,000
December 15, 1994	295,000
June 15, 1995	305,000
December 15, 1995	315,000
June 15, 1996	330,000
December 15, 1996	345,000
June 15, 1997	360,000
December 15, 1997	375,000
June 15, 1998	390,000
December 15, 1998	405,000
June 15, 1999	425,000
December 15, 1999	440,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
June 15, 2000	460,000
December 15, 2000	485,000
June 15, 2001	500,000
December 15, 2001	520,000
June 15, 2002	545,000
December 15, 2002	570,000
June 15, 2003	590,000
December 15, 2003	615,000
June 15, 2004	645,000
December 15, 2004	670,000
June 15, 2005	700,000
December 15, 2005	740,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

Premiums on Prepayment

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05(b) of the General Conditions:

<u>Time of Prepayment</u>	<u>Premium</u>
Not more than four years before maturity	1%
More than four years but not more than eight years before maturity	2-1/4%
More than eight years but not more than fourteen years before maturity	4%
More than fourteen years but not more than twenty years before maturity	5-1/2%
More than twenty years but not more than twenty-six years before maturity	7-1/4%
More than twenty-six years but not more than twenty-eight years before maturity	8%
More than twenty-eight years before maturity	8-1/2%

SCHEDULE 4

Procurement

A. International Competitive Bidding

1. Except as provided in Part B hereof, goods, works and services shall be procured under contracts to be awarded in accordance with procedures consistent with those set forth in Part A of the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in August 1975 (hereinafter called the Guidelines), on the basis of international competitive bidding.

2. (a) Bidders for the works included in Part A of the Project shall be prequalified as described in paragraph 1.3 of Part A of the Guidelines.

(b) Furniture and equipment under Parts A and B of the Project shall be grouped so as to permit such bulk procurement as shall be consistent with appropriate technical and procurement practices. Whenever possible each bid package for such items shall be for not less than the equivalent of \$25,000.

B. Other Procurement Procedures

1. Civil works contracts under Part A of the Project shall be awarded on the basis of competitive bidding locally advertised in accordance with procedures which shall be acceptable to the Bank.

2. Furniture and equipment under Parts A and B of the Project which cannot be grouped in bid packages estimated to cost the equivalent of \$25,000 or more may be procured in accordance with the Borrower's regular procedures, provided that the aggregate cost of the furniture and equipment so procured shall not exceed the equivalent of \$450,000.

C. Evaluation and Comparison of Bids; Preference for Manufacturers Established in the territories of the Central American Common Market

1. For the purpose of evaluation and comparison of bids for the supply of goods:

- (i) bidders shall be required to state in their bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for domestically-manufactured goods;
- (ii) customs duties and other import taxes on imported goods, and sales and similar taxes on domestically-supplied goods, shall be excluded; and
- (iii) the cost to the Borrower of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be included.

2. Bids shall be compared in accordance with the following rules:

(a) the term "Central American Bid" means a bid submitted by a manufacturer established in the territories of the Central American Common Market for goods manufactured or processed to a substantial extent (as reasonably determined by the Bank) in such territories; any other bid will be deemed to be a "Non-Central American Bid";

(b) the bid price under a Central American Bid will be the sum of the following amounts:

- (i) the ex-factory price of such goods; and
- (ii) freight, insurance and other costs of delivery of such goods to the site designated in the specifications; and

(c) for the purpose of comparing any Non-Central American Bid with any Central American Bid, the price under a Non-Central American Bid will be the sum of the following amounts:

- (i) the c.i.f. (port of entry) price of such goods;
- (ii) insurance costs to the port of entry;
- (iii) half the amount of any taxes on the importation of such goods into the territories of the Borrower which generally apply to non-exempt importers, or 15% of the amounts specified in (i) and (ii) above, whichever shall be the lower; and

- (iv) freight insurance and other costs of delivery of such goods from the port of entry to the site designated in the specifications.

3. The bidding documents shall clearly indicate the margin of preference to be granted.

D. Review of Procurement Decisions by Bank

1. Review of prequalification. The Borrower shall, before qualification is invited, inform the Bank in detail of the procedure to be followed and shall introduce such modifications in said procedure as the Bank shall reasonably request. The list of prequalified future bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification shall be furnished by the Borrower to the Bank for its comments before the applicants are notified, and the Borrower shall make such additions to, deletions from, or modifications in, the said list as the Bank shall reasonably request.

2. Review of invitation to bid and of proposed awards and final contracts:

With respect to civil work contracts estimated to cost the equivalent of \$100,000 or more, and to furniture and equipment contracts estimated to cost the equivalent of \$25,000 or more:

(a) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to which it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report, by the Project Unit, on the evaluation and comparison of the bids received, together with the recommendations for award of the said Project Unit and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Bank's concurrence, materially differ from those on which bids were asked or prequalification invited.

(d) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

3. With respect to each contract to be financed out of the proceeds of the Loan and not governed by the preceding paragraph, the Borrower shall furnish to the Bank, promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of bids, recommendations for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

SCHEDULE 5

The Project Unit

1. The Project Unit shall operate under the guidance of and following the policies set by the Ministers of Education, Agriculture and Communications and Public Works and of the Secretary General of the National Planning Council. The Director of the Project Unit shall coordinate all activities with the Director of the Department of Curriculum Development or his representative and with the coordinator appointed by the Ministry of Agriculture in accordance with Section 5.01(b) of this Agreement.

2. The Project Unit shall be responsible for the technical, physical and administrative execution of the Project in coordination with the Borrower's agencies involved in the Project. It shall, inter alia:

(a) make the necessary arrangements for the selection of architectural consultants and other specialists, establish the terms of reference for the contracts with such consultants and specialists and administer such contracts;

(b) elaborate a comprehensive Project implementation chart based on the critical path method or other method satisfactory to the Borrower and the Bank setting forth a planned timetable of coordinated activities and responsibilities on which the execution of all aspects of the Project will be based and the progress of Project implementation will be monitored;

(c) prepare briefs for the architectural consultants relating educational specifications to realistic costing and functional design, and providing information to the architectural consultants;

(d) request the analysis and review by, and obtain the certification of, the special technical committees referred to in Section 3.06 of this Agreement of plans, reports, equipment and furniture lists and specifications and other material submitted by consultants and experts and ascertain that such plans, reports, equipment and furniture lists and specifications and other material meet the economic and functional standards and costs and the educational objectives of the Project:

(e) prepare, with the help of such special technical committees, lists of all instructional equipment, books and furniture required by the educational and training institutions included in the Project, together with specifications and the estimated unit price and total cost of each item;

(f) expedite the award of contracts relating to the Project;

(g) prepare detailed reports on the evaluation and comparison of bids received and make recommendations for the award of contracts for which such bids have been received;

(h) ensure the regular inspection of all construction works;

(i) provide liaison with the Bank and with all appropriate authorities of the Borrower in matters relating to the implementation of the Project;

(j) set up an accounting system, keep Project accounts and prepare periodic financial statements, as required to comply with the provisions of the Loan Agreement;

(k) prepare applications for withdrawals from the Loan Account; and

(l) evaluate the progress of the Project and prepare quarterly progress reports for the Bank.