

LOAN NUMBER 1314 GU

LOAN AGREEMENT

(Earthquake Reconstruction Project - Education  
and Port Rehabilitation Components)

between

REPUBLIC OF GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated *August 2*, 1976

LOAN AGREEMENT

AGREEMENT, dated *August 2*, 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) "Sites and Services Loan Agreement" means the loan agreement of even date herewith, between the Borrower and the Bank (Earthquake Reconstruction Project - Urban Sites and Services Component) as such loan agreement may be amended from time to time;

(b) "Second Education Loan Agreement" means the loan agreement dated March 5, 1976, between the Borrower and the Bank (Second Education Project) as such loan agreement may be amended from time to time;

(c) "BANVI" means the Borrower's Banco Nacional de la Vivienda, a decentralized public institution, established by Decree No. 2-73 of the Borrower's Congress, dated January 2, 1973, as amended from time to time;

(d) "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 within the Borrower's Ministry of Communication and Public Works, with, in respect of Part A.2 of the Project, the same duties and responsibilities described in Schedule 5 to the Second Education Loan Agreement;

(e) "CEEP" means a unit named Unidad Ejecutora de Construcción y Equipamiento del Proyecto de Extensión y Mejoramiento de la Educación Primaria, established within the Ministry of Communication and Public Works, by Acuerdo of Borrower's Ministers of Education, Communications and Public Works, and Public Finance, dated August 27, 1975; and the term includes any successor thereto;

(f) "FEGUA" means Ferrocarriles de Guatemala, a decentralized public institution established by Decree 22-69 of the Borrower's Congress, dated May 7, 1969, and presently operating in accordance with Decree 60-72 of the Borrower's Congress, dated September 12, 1972; and the term includes any successor thereto;

(g) "Emergency Procedures" means the accelerated procurement procedures for national emergency situations permitted by Legislative Decree No. 11-71, published in the Borrower's Official Gazette No. 73, dated March 8, 1971 and by the regulations of such Legislative Decree; and

(h) "Earthquake" means the earthquake that on February 4, 1976 affected the Borrower's territories and the term includes the aftershocks thereof.

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 six million five hundred thousand dollars (\$6,500,000).

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, contracts for the purchase of goods or for civil works 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 June 30, 1980 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 eighty-five hundredths per cent (8.85%) 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 May 1 and November 1 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 Education Component  
(Part A of the Project)

Section 3.01. The Borrower shall carry out Part A of the Project through its Ministry of Education with due diligence and efficiency and in conformity with appropriate administrative, financial and educational 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 Part A.1 of the Project:  
(i) make CEEP take over the duties and responsibilities described in Schedule 5 to this Agreement; and (ii) appoint within CEEP, in consultation with the Bank, an engineer, an architect, a draftsman and a procurement officer, and continue thereafter to use the services thereof until the completion of such Part of the Project;  
and

(b) for the purpose of carrying out Part A.2 of the Project,  
(i) continue to operate the Project Unit until the Closing Date, and (ii) provide such Project Unit with adequate support staff which will include, inter alia, an engineer, an architect, a draftsman and a cost estimator.

Section 3.03. 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 for employment shall be satisfactory to the Bank.

Section 3.04. Except as the Bank shall otherwise agree, the Borrower shall take or cause to be taken all such action as shall be necessary 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 the Borrower's Ministry of Education, the Project Unit and CEEP, for purposes of (i) analyzing and reviewing architectural designs, and equipment and furniture lists and specifications for the educational institutions included in Part A of 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 3.05. The Borrower shall, after receiving the Bank's approval for the sites selected by the Borrower for purposes of Part A.1 (i) and 2 of the Project, take all such action as shall be necessary to acquire, not later than January 1, 1977 or such other later date as shall be determined by the Bank, all such land and rights in respect of land as shall be required for the construction (and operation) of the facilities included in Part A.1 (i) and 2 of the Project and shall furnish to the Bank, promptly after such acquisition, evidence satisfactory to the Bank that such land



and rights in respect of land are available for purposes related to such Part of the Project.

Section 3.06. The Borrower shall:

(a) enter into contractual arrangements satisfactory to the Bank with BANVI, for the purpose of: (i) coordinating the carrying out of Part A.1 (ii) of the Project; (ii) requesting the Bank's approval for the sites selected by the Borrower and BANVI for construction of schools under such Part of the Project; (iii) ensuring the acquisition by BANVI, as and when needed, of all such land and rights in respect of land as shall be required for such construction; (iv) ensuring the transfer of title to the Borrower by way of grant and when needed for purposes of Part A.1 (ii) of the Project, of such land and rights in respect of land as shall be required for the operation by the Borrower of the schools included in such Part of the Project; and

(b) furnish to the Bank promptly after every acquisition, or transfer of title, of land and rights in respect of land referred to, respectively, in (a) (iii) and (a) (iv) above, evidence satisfactory to the Bank that such land and rights in respect of land are available for purposes related to Part A.1 (ii) of the Project.

Section 3.07. The Borrower shall take all such action as shall be necessary to:

(a) subject to (b) below, permit students of neighboring schools and adults involved in non-formal training programs, to

utilize the facilities of: (i) the basic workshops and home economics spaces of the schools included in Part A.1 (ii) of the Project having such facilities; and (ii) the schools included in Part A.2 (i), (iii), (iv) and (v) of the Project; and

(b) ensure that the ordinary use of the facilities referred to in (a) (i) and (ii) above by students attending the regular classes therein will not be disrupted by any action taken to comply with (a) above.

Section 3.08. The Borrower shall take all such action as shall be necessary to ensure that schools included in Part A.2 of the Project shall: (i) adopt the same curricula as the lower secondary schools included in Part A (1) of Schedule 2 to the Second Education Loan Agreement; and (ii) benefit from the activities included in Parts D and E of Schedule 2 to the Second Education Loan Agreement for the benefit of lower secondary schools included in Part A (1) of such Schedule.

Section 3.09. 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; provided, however, that when fully qualified and trained teachers are not available on such a full-time basis, the Borrower may temporarily employ (i) such teachers on a part-time basis, or (ii) less than fully qualified and trained teachers either on a full-time or a part-time basis.

Section 3.10. (a) The Borrower shall operate the educational institutions included in 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 educational 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 educational 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.

ARTICLE IV

Execution of the Port Rehabilitation Component  
(Part B of the Project)

Section 4.01. The Borrower shall carry out Part B.1 of the Project through its Ministry of Communication and Public Works and Part B.2 and 3 of the Project through the Borrower's General Secretariat of the National Economic Planning Council, all with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 4.02. The Borrower shall:

(a) employ, in consultation with the Bank, engineering consultants who shall carry out: (i) a hydrographic study to define the water depth in Puerto Barrios and in Puerto Barrios' channel areas and to determine dredging requirements therein; (ii) a structural study of the condition of the existing piling and access bridge to define the amount of repair and reinforcement needed; and (iii) in cooperation with FEGUA, the engineering designs of, and the preparation of bidding documents for, the proposed structure for Part B.1 (i) of the Project; and

(b) afford the Bank, before bids are invited in respect of Part B.1 (i) and (ii) of the Project, a reasonable opportunity to comment on: (i) the recommendations of the studies referred to in (a) (i) and (ii) above; and (ii) on the engineering designs referred to in (a) (iii) above.

Section 4.03. For the purposes of carrying out Part B.1 of the Project, including the engineering designs and the bidding documents referred to in Section 4.02 (a) (iii) of this Agreement, the Borrower shall, if necessary, enter with FEGUA into contractual arrangements therefor; such contractual arrangements, if any, to be in form and substance satisfactory to the Bank.

Section 4.04. In order to assist the Borrower in the carrying out of Part B.2 and 3 of the Project, the Borrower shall, unless the Bank shall otherwise agree, employ engineering consultants whose qualifications, experience and terms and conditions for employment shall be satisfactory to the Bank.

Section 4.05. The Borrower shall take, or cause FEGUA, or any port authority having jurisdiction over Puerto Barrios to be established in the future, to take, all such action as shall be necessary to operate and maintain Puerto Barrios' facilities all in accordance with sound administrative, financial and engineering practices.

Section 4.06. In the event the Borrower or any agency of the Borrower (including FEGUA or any of the port authorities of the Borrower presently established or to be established in the future) proposes to undertake, within three years from the Effective Date, the construction or development of one or more dry bulk terminals which may decrease the use of the facilities to be built under Part B.1 (i) of the Project, the Borrower shall, before any such construction or development is undertaken, afford the Bank, and cause any such agency of the Borrower to afford the Bank, a reasonable opportunity to comment on the economic justification of any such proposed construction or development.

ARTICLE V

Other Covenants

Section 5.01. (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, special 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 5.02. 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 5.03. (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 5.04. (a) The Borrower shall furnish to the Bank, for approval, 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.



ARTICLE VI

Effective Date; Termination

Section 6.01. The date November 1<sup>st</sup>, 1976 , is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministro de Finanzas  
Palacio Nacional  
Guatemala  
Guatemala

Cable address:

MINIFINANZAS

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.


Telex:

440098 (ITT)

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

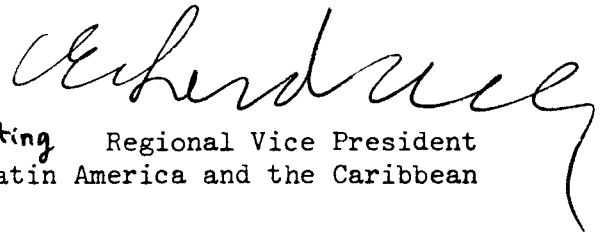
By



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 the amounts of the Loan to each Category and the percentage of expenditures for items so 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>
<u>Part A of the Project</u>		
(1) Civil works and Professional fees	2,300,000	56%
(2) Furniture and equipment	1,000,000	
(a) imported		100% of foreign expenditures
(b) locally procured		85%
(3) Salaries of the following staff: 1 architect, 1 engineer and 1 draftsman each for, respectively, Project Unit and CEEP, 1 cost estimator for Project Unit and 1 procurement officer for CEEP	200,000	100% of local expenditures

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
<u>Part B of the Project</u>		
(4) Civil works for Part B (1) (i)	1,200,000	75%
(5) Dredging works for Part B (1) (ii)	350,000	87%
(6) Equipment for Part B (1) (iii)	150,000	100% of foreign expenditures
(7) Studies	130,000	100% of foreign expenditures
<u>Unallocated</u>		
(8) Part A of the Project	700,000	
(9) Part B of the Project	470,000	
	<hr/>	
	TOTAL	
	6,500,000	
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2. For the purposes of this Schedule:

(a) 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; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower and for goods or services supplied from the territory of 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 payments made for expenditures:

(a) prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$50,000 may be made in respect of Categories (1) and (3) on account of payments made for such expenditures before that date but after June 1, 1976; and

(b) to be financed under Categories (1), (2) and (3), until:  
(i) the Second Education Loan Agreement has become effective in accordance with its terms; and (ii) the appointments referred to in Section 3.02 (a) (ii) of this Agreement have been made.

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 Project is part of the Borrower's program to reconstruct and rehabilitate its economy after the Earthquake. The Project consists of the following parts:

Part A: Education Component

1. (i) Construction, equipping and furnishing of approximately thirteen primary schools within Guatemala City providing in the aggregate for 4,320 student places; and  
  
(ii) Construction, equipping and furnishing of approximately fourteen schools providing in the aggregate for 3,360 student places, to be located within the sites to be developed in the metropolitan area of Guatemala City in accordance with Part A (1) of Schedule 2 to the Sites and Services Loan Agreement. In addition, one school in every such site will include basic workshops and home economics spaces.
  
2. Construction of five lower secondary schools to be located in:  
  
(i) Guatemala City, providing about 960 places;



- (ii) Guatemala City, providing about 600 places, to be constructed on the same site where one of the common facility centers referred to in Part A (3) of Schedule 2 to the Second Education Project Loan Agreement will be constructed or on another site selected and approved as required by Section 3.05 of this Agreement;
- (iii) El Progreso, providing about 360 places;
- (iv) Salamá, providing about 360 places; and
- (v) Chichicastenango, providing about 360 places.

\* \* \*

Part A of the Project is expected to be completed by December 31, 1979.

Part B: Port Rehabilitation Component

1. Limited rehabilitation of Puerto Barrios, which will include:
  - (i) conversion of the existing 350 meters long access bridge into a two-berth pier, by driving piles alongside to support a concrete deck 4 to 6 meters wide and 350 meters long, repairing the existing damaged piles and paving such bridge to provide truck access;

- (ii) dredging alongside the pier referred to in (i) above; and
  - (iii) acquisition and utilization of the following cargo-handling equipment: four or five forklifts and two or three portable conveyors;
- (2) Carrying out a feasibility study to determine the optimum location for, and economic viability of, the construction of a dry bulk terminal; and
  - (3) Carrying out a study which will review the existing shortcomings of port institutions in Guatemala and propose an overall organization of the Borrower's port sector, both at each port level and at national level.

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Part B of the Project is expected to be completed by March 31, 1977.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
November 1, 1980	75,000
May 1, 1981	80,000
November 1, 1981	85,000
May 1, 1982	85,000
November 1, 1982	90,000
May 1, 1983	95,000
November 1, 1983	100,000
May 1, 1984	105,000
November 1, 1984	105,000
May 1, 1985	115,000
November 1, 1985	120,000
May 1, 1986	120,000
November 1, 1986	130,000
May 1, 1987	135,000
November 1, 1987	140,000
May 1, 1988	145,000
November 1, 1988	155,000
May 1, 1989	160,000
November 1, 1989	165,000
May 1, 1990	175,000
November 1, 1990	180,000
May 1, 1991	190,000
November 1, 1991	200,000
May 1, 1992	210,000
November 1, 1992	215,000
May 1, 1993	225,000
November 1, 1993	235,000
May 1, 1994	245,000
November 1, 1994	260,000

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)</u>
May 1, 1995	270,000
November 1, 1995	280,000
May 1, 1996	290,000
November 1, 1996	310,000
May 1, 1997	315,000
November 1, 1997	335,000
May 1, 1998	360,000

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\* 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 three years before maturity	1.20%
More than three years but not more than six years before maturity	2.40%
More than six years but not more than eleven years before maturity	4.45%
More than eleven years but not more than sixteen years before maturity	6.45%
More than sixteen years but not more than than twenty years before maturity	8.05%
More than twenty years before maturity	8.85%

SCHEDULE 4

Procurement

A. International Competitive Bidding

1. Except as provided in Part B hereof, works, equipment and furniture for Part A of the Project and works and equipment for Part B of the Project 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 \$50,000.

B. Other Procurement Procedures

1. Civil works contracts under Parts A and B.1 (i) 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; provided, however, that subject to such competitive bidding the Borrower may use such additional Emergency Procedures as shall have been agreed upon between the Borrower and the Bank.

2. Furniture and equipment under Part A of the Project which cannot be grouped in bid packages estimated to cost the equivalent of \$50,000 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 \$165,000, or such other amount as the Bank shall determine.

3. Subject to the prior approval of the Bank, contracts for works required for Part B.1 (ii) of the Project may be awarded on a negotiated basis.

4. Contracts for cargo-handling equipment under Part B.1 (iii) of the Project may be awarded, at a reasonable price and on a negotiated basis, to the original suppliers of the equipment lost or damaged in the Earthquake so as to permit standardization and continued use of existing spare parts for such equipment.

C. Evaluation and Comparison of Bids; Preference for Manufacturers Established in the territories of the member countries 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 member countries 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 the 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 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 of the Borrower's decision, 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 invitations to bid and of proposed awards and final contracts:

With respect to (i) all contracts for civil works estimated to cost the equivalent of \$100,000 or more and (ii) all contracts for goods estimated to cost the equivalent of \$50,000 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 and CEEP in case of bids for expenditures for, respectively, Parts A.1 and 2 of the Project and by the consultants referred to in Section 4.02 (a) of this Agreement, in case of bids for expenditures for Part B of the Project) on the evaluation and comparison of the bids received, (together with the recommendations for award of the said Project Unit, CEEP and said consultants) 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 the respective 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 termination.

SCHEDULE 5

CEEP

1. CEEP shall operate under the guidance of, and following the policies set by, the Ministers of Education and Communications and Public Works and of the Secretary General of the National Economic Planning Council.

2. CEEP shall be responsible for the technical, physical and administrative execution of Part A.1 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, in respect of Part A.1 of the Project, 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 such Part of the Project will be based and, in respect of such Part of the Project, 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 3.04 of this Agreement for 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 Part A.1 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 Part A.1 of the Project, together with specifications and the estimated unit price and total cost of each item;

(f) expedite the award of contracts relating to Part A.1 of 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 Part A.1 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 for purposes of Part A.1 of the Project; and

(l) evaluate the progress of Part A.1 of the Project and prepare quarterly progress reports for the Bank.