
LOAN NUMBER 2328 GU

Loan Agreement

(Basic Education Project)

between

REPUBLIC OF GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated

September 9, 1983

LOAN AGREEMENT

AGREEMENT, dated *September 9*, 1983, 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 October 27, 1980, 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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Special Account" means the account to be opened pursuant to Section 2.03 of this Agreement;

(b) "CENALTEX" means Centro Nacional de Textos, the Borrower's National Textbook Center, established by Acuerdo Gubernativo, No. 400-83 of June 17, 1983;

(c) "UCEE" means Unidad de Construcción de Edificios Educativos, the Borrower's School Construction Agency in the Ministry of Communications, Transport and Public Works;

(d) "USIPE" means Unidad Sectorial de Investigaciones y Planeamiento Educativo, the Borrower's Planning Office in the Ministry of Education;

(e) "Banco de Guatemala" means the central bank of the Borrower; and

(f) "Quetzal" or "Q" means the currency unit of the Borrower.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to eighteen million five hundred thousand dollars (\$18,500,000).

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 The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between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. (a) The Borrower shall establish and maintain a Special Account in dollars, under terms and conditions satisfactory to the Bank, in Banco de Guatemala. Withdrawals from the Special Account shall be made in quetzales exclusively to pay for the reasonable cost of goods and services required to carry out the Project and to be financed by the Bank under this Agreement in accordance with the provisions of Section 2.02 and Schedule 1 to this Agreement. Banco de Guatemala shall determine the amount in quetzales of the respective withdrawal on the basis of the exchange between the dollar and the quetzal in effect at the time of the corresponding withdrawal.

(b) The Bank shall, after the Effective Date and at the request of the Borrower, withdraw on behalf of the Borrower from the Loan Account and deposit in the Special Account the proceeds of the Loan then allocated to Category (7) of the table set forth in paragraph 1 of Schedule 1 to this Agreement (such deposit and table hereinafter called the Initial Deposit and the Table, respectively). At the request of the Borrower, the Bank shall further withdraw from the Loan Account and deposit in the Special Account such amounts as shall be required to replenish the Special Account with amounts equal to the equivalent in dollars of the withdrawals made by the Borrower from the Special Account for expenditures for the Project eligible for financing under this Agreement. Except as the Bank shall otherwise determine, each withdrawal from the Loan Account to make deposits in the Special Account other than the Initial Deposit shall be made by

the Bank under the same categories set forth in the Table, and in the same respective amounts as have been justified by the documentation for the request for such deposit furnished pursuant to paragraph (c) of this Section.

(c) Prior to or at the time of each request by the Borrower for a deposit into the Special Account other than the Initial Deposit, the Borrower shall furnish to the Bank in respect of each payment made out of the Special Account such documents and other evidence as the Bank shall reasonably request, showing that each payment was made on account of the reasonable cost of goods or services required for the Project and to be financed out of the proceeds of the Loan in accordance with Section 2.02 of this Agreement.

(d) If the Bank shall have determined that any payment out of the Special Account (i) was made on account of any expenditure or in any amount not eligible for financing under the Loan Agreement; or (ii) was not supported by the evidence furnished pursuant to paragraph (c) of this Section, the Borrower shall, promptly upon notice from the Bank, and unless otherwise determined by the Bank, prior to any further deposit in the Special Account, deposit in the Special Account or, if the Bank shall so request, refund to the Bank an amount equal to the amount of such payment not so eligible or justified.

(e) Notwithstanding the provisions of paragraph (b) of this Section, no further deposit in the Special Account shall be made by the Bank when the Bank shall have determined that all further withdrawals from the Loan Account can be made directly by the Borrower from the Loan Account under Section 2.02 of this Agreement, or when the total unwithdrawn amount of the Loan less the amount of all qualified agreements to reimburse already entered into by the Bank and of all special commitments already entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall be equal to the equivalent of twice the amount of the Initial Deposit, whichever shall be sooner. Withdrawals from the Loan Account of the remaining amount of the Loan shall follow such procedures as shall be agreed between the Borrower and the Bank and shall be made only to the extent that the Bank shall be satisfied by the evidence submitted in support of the applications for such withdrawal that all payments by the Borrower out of the Special Account were made on account of the reasonable cost of goods or services required for the Project and to be financed out of the proceeds of the Loan in accordance with Section 2.02 of this Agreement.

(f) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for expenditures under the Project eligible for financing under the Loan, the Borrower shall promptly, upon notice from the Bank and unless otherwise agreed by the Bank, refund to the Bank such outstanding amount.

Section 2.04. Except as the Bank shall otherwise agree, procurement of the goods and civil works required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 2.05. The Closing Date shall be December 31, 1987, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.06. (a) The Borrower shall pay to the Bank a fee equivalent to forty-six thousand one hundred thirty-five dollars (\$46,135).

(b) On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of the said fee in such currency or currencies as the Bank shall determine.

Section 2.07. 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 2.08. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one half percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

(i) "Interest Period" means the six-month period commencing on each date specified in Section 2.09

of this Agreement, including the Interest Period in which this Agreement is signed;

- (ii) "Cost" of Qualified Borrowings means the cost, expressed as a percentage per annum, as reasonably determined by the Bank, provided that the amount of \$8,520.5 million referred to in (iii) (B) hereunder shall be reckoned at a cost of 10.93% per annum;
- (iii) "Qualified Borrowings" means: (A) outstanding borrowings of the Bank drawn down after June 30, 1982; and (B) until July 1, 1985, the amount of \$8,520.5 million (representing borrowings of the Bank between July 1, 1981 and June 30, 1982) less any part thereof repaid earlier than July 1, 1985; and
- (iv) "Semester" means the first six months or the second six months of a calendar year.

Section 2.09. Interest and other charges shall be payable semiannually on May 1 and November 1 in each year.

Section 2.10. 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 through its Ministry of Education and Ministry of Communications, Transport and Public Works with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and educational practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose (the funds to be provided by the Borrower being on the date hereof estimated to aggregate the equivalent of twelve million seven hundred thousand dollars (\$12,700,000)).

Section 3.02. In order to assist the Borrower in the supervision of the construction under Part B of the Project and in the

carrying out of Parts A.3, A.5, and C of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank, such consultants to be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

Section 3.03. (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) The Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the purposes of the Project.

Section 3.04. (a) The Borrower shall furnish to the Bank, 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 and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Loan, and to disclose their use in the Project; (ii) shall enable the Bank's 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 at regular intervals all such information as the Bank shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

(c) Upon the award by the Borrower of any contract for goods, works or services to be financed out of the proceeds of

the Loan, the Bank may publish a description thereof, the name and nationality of the party to whom the contract was awarded and the contract price.

(d) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.

Section 3.05. The Borrower shall 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) of the facilities included in 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 the Project.

Section 3.06. In carrying out Part A.3 of the Project, the Borrower shall:

- (a) prepare a plan for testing in the field textbooks;
- (b) by January 31, 1984 furnish to the Bank the plan for comments;
- (c) field test textbooks in at least 20 schools and during at least one school year in accordance with the plan; and
- (d) revise the textbooks according to the test results and, thereafter, reprint the textbooks.

Section 3.07. The Borrower shall print teaching materials in accordance with Schedule 5 to this Agreement as such Schedule may be amended from time to time by agreement between the Borrower and the Bank.

Section 3.08. In carrying out Part B of the Project, the Borrower shall select the location of new schools according to criteria acceptable to the Bank.

Section 3.09. In carrying out Part C.2 of the Project, the Borrower shall, by June 30, 1984, furnish to the Bank for approval the terms of reference for the study, and by January 31, 1985, begin carrying out such study.

Section 3.10. In carrying out Part C.3 of the Project, the Borrower shall, by June 30, 1984, furnish to the Bank for comments the terms of reference for the study on the cost-effectiveness of teaching agriculture, home economics and industrial skills for fifth and sixth grade students, and by January 31, 1985, begin carrying out such study.

Section 3.11. The Borrower shall take all necessary steps to provide CENALTEX with the necessary number of fully qualified professional staff.

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, 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 or as security for the payment of debt incurred for the purpose of financing the purchase 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 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. (a) The Borrower shall maintain or cause to be maintained records and separate accounts 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.

(b) Without limitation to the foregoing, the Borrower shall: (i) maintain or cause to be maintained separate accounts reflecting all expenditures on account of which withdrawals are requested from the Loan Account on the basis of statements of expenditures; (ii) retain, until one year after the Closing Date, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing the expenditures on account of which withdrawals are requested from the Loan Account on the basis of statements of expenditures; and (iii) enable the Bank's representatives to examine such records.

(c) The Borrower shall: (i) have the accounts referred to in paragraphs (a) and (b) of this Section and the Special Account, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including, without limitation to the foregoing, a separate opinion by said auditors in

respect of the expenditures and records referred to in paragraph (b) of this Section as to whether the proceeds of the Loan withdrawn from the Loan Account on the basis of statements of expenditure have been used for the purpose for which they were provided; and (iii) furnish to the Bank such other information concerning said separate accounts, records and expenditures and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Remedies of the Bank

Section 5.01. For the purposes of Section 6.02 of the General Conditions, the following additional event is specified pursuant to paragraph (k) thereof, namely that the Decrees and Regulations regarding the creation and operations of CENALTEX and UCEE, or any provision thereof, shall have been amended, suspended, abrogated, repealed or waived so as to affect adversely the carrying out of the Project and the performance by the Borrower of its other obligations under this Agreement.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified pursuant to paragraph (h) thereof, namely, that any event specified in Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. 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) an executive director, three division chiefs and one education coordinator have been appointed to CENALTEX in accordance with terms of reference satisfactory to the Bank; and

(b) the Special Account has been opened in accordance with the provisions of Section 2.03 of this Agreement.

Section 6.02. The date *December 7, 1983*, 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:

Ministerio de Finanzas Públicas
Centro Cívico Zona 1
Guatemala
Guatemala

Cable address:

MINIFIP

Telex:

9207

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)
248423 (RCA) or
64145 (WUI)

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 *15/ Norma Gomez A.*
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By *3/ Cairn D. Steckhan*
Director
Country Programs I Department
Latin America and the Caribbean
Region

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>
(1) Civil works (including professional fees for Part B of the Project)	6,300,000	50%
(2) Furniture, equipment and materials:	2,000,000	
(a) imported		100% of foreign expenditures
(b) imported but locally procured		90% of local expenditures
(c) locally manu- factured		100% of ex- factory costs
(3) Textbooks		
(a) development and printing	4,000,000	90%
(b) distribution and field testing	700,000	90%

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(4) Training of teachers	1,200,000	60%
(5) Consultants' services	1,000,000	100%
(6) Operating expenses for CENALTEX	200,000	90%
(7) Initial Deposit in Special Account	500,000	Amount due under Section 2.03 of this Agreement
(8) Fee	46,135	Amount due under Section 2.06 of this Agreement
(9) Unallocated	2,553,865	
TOTAL	<u>18,500,000</u>	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or 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 the proceeds of the Loan shall not 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;

on this basis, if the amount of any such taxes levied on or in respect of items in any Category decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such Category 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 made prior to the date of this Agreement.

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 expenditure 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 purposes of the Project are to develop the Borrower's institutional capacity for textbook production and distribution, provide physical facilities for sufficient student places in marginal urban areas of Guatemala City and surrounding municipalities, and assist the Borrower in improving educational planning.

The Project consists of the following Parts:

Part A: Textbooks

1. Strengthening of CENALTEX.
2. Construction of the central offices of CENALTEX and construction of about 12 warehouses for storage of textbooks.
3. Writing of manuscripts and printing and distribution of about six million textbooks, curriculum guides and related teaching materials.
4. Training of about 6,000 school principals, about 200 supervisors and about 15,000 school teachers in the use of the textbooks, the curriculum guides and related teaching materials produced under the Project.
5. Evaluation of the impact of textbooks on school efficiency and student achievement.

Part B: Construction and Upgrading of Classrooms

1. Construction, furnishing and equipping of about 20 schools with about 192 classrooms and required ancillary spaces.
2. Construction, furnishing and equipping of about 108 classrooms in existing schools and required ancillary spaces.
3. Upgrading of about 300 classrooms.
4. Completion of the construction of about 15 schools with about 75 classrooms.

5. Furnishing and equipping of about 400 classrooms.

Part C: Improvement of Educational Planning

1. Improvement of school location planning.
2. Studies related to the planning for teaching in native languages.
3. Studies related to curriculum development planning.
4. Development of USIPE's information system and improvement of its Project monitoring and evaluation procedures, including acquisition of bibliographical material, furniture and equipment.

* * *

The Project is expected to be completed by June 30, 1987.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
On each May 1 and November 1 beginning November 1, 1987 through November 1, 1999	710,000
On May 1, 2000	750,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal; see General Conditions, Section 3.04.

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 3.04 (b) of the General Conditions:

<u>Time of Prepayment</u>	<u>Premium</u>
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	.18
More than three years but not more than six years before maturity	.35
More than six years but not more than eleven years before maturity	.65
More than eleven years but not more than fifteen years before maturity	.88
More than fifteen years before maturity	1.00

SCHEDULE 4

Procurement

A. International Competitive Bidding

1. Except as provided in Part C hereof, goods and civil works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in the current edition of the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in March 1977 (hereinafter called the Guidelines), on the basis of international competitive bidding as described in Part A of the Guidelines.

2. For goods and works to be procured on the basis of international competitive bidding, in addition to the requirements of paragraph 1.2 of the Guidelines, the Borrower shall prepare and forward to the Bank as soon as possible, and in any event not later than 60 days prior to the date of availability to the public of the first tender or prequalification documents relating thereto, as the case may be, a general procurement notice, in such form and detail and containing such information as the Bank shall reasonably request; the Bank will arrange for the publication of such notice in order to provide timely notification to prospective bidders of the opportunity to bid for the goods and works in question. The Borrower shall provide the necessary information to update such notice annually so long as any goods or works remain to be procured on the basis of international competitive bidding.

3. For the purpose of evaluation and comparison of bids for the supply of goods to be procured on the basis of international competitive bidding: (i) bidders shall be required to state in their bid the c.i.f. (port of entry) price for the imported goods, or the ex-factory price or off-the-shelf price of other goods, offered in such bid; (ii) customs duties and other import taxes levied in connection with the importation, or the sales and similar taxes levied in connection with the sale or delivery, pursuant to the bid, of the goods shall not be taken into account in the evaluation of the bids; and (iii) the cost of inland freight and other expenditures incidental to the delivery of the goods to the place of their use or installation shall be included.

B. Evaluation and Comparison of Bids for Goods, Preference for Manufacturers Established in the Territories of the Central American Common Market

1. For the purposes 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 in the case of a Central American Bid, 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 except to the extent specified under 2 (c) (ii) below; 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) 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 amount specified in (i) above, whichever shall be the lower; and

- (iii) 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.

C. Other Procurement Procedures

1. Civil works estimated to cost the equivalent of \$400,000 or less, textbook printing estimated to cost the equivalent of \$200,000 or less, and equipment and furniture estimated to cost the equivalent \$100,000 or less may be procured under contracts awarded on the basis of competitive bidding advertised locally in accordance with procedures acceptable to the Bank.

2. Goods estimated to cost the equivalent of \$20,000 or less but not exceeding in the aggregate the equivalent of \$300,000, may be procured through negotiated purchase after solicitation of quotations from three reliable suppliers.

D. Review of Procurement Decisions by the Bank

1. Review of invitations to bid and of proposed awards and final contracts:

With respect to all contracts for civil works estimated to cost more than the equivalent of \$400,000 and all contracts for textbook printing, equipment and furniture estimated to cost more than the equivalent of \$100,000:

(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 on the evaluation and comparison of the bids received, 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.

(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.

2. With respect to each contract not governed by the preceding paragraph 1 (except for contracts on account of which withdrawals are allowed from the Loan Account on the basis of statements of expenditures), 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 determination.

3. Before agreeing to any material modification or waiver of the terms and conditions of a contract, or granting an extension of the stipulated time for performance of such contract, or issuing any change order under such contract (except in cases of extreme urgency) which would increase the cost of the contract by more than 15% of the original price, the Borrower shall inform the Bank of the proposed modification, waiver, extension or change order and the reasons therefor. The Bank, if it determines that the proposal would be inconsistent with the provisions of this Agreement, shall promptly inform the Borrower and state the reasons for its determination.

SCHEDULE 5

PRODUCTION PROGRAM FOR TEXTBOOKS,
WORKBOOKS AND TEACHERS' GUIDES
DURING PROJECT EXECUTION
('000)

<u>Textbooks</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Total</u>
Basic Textbook - Grade 1	115		455		
Basic Textbook - Grade 2	70		270		
Textbooks - Grade 3	110			435	
Textbooks - Grade 4	85			335	
Textbooks - Grade 5		75			
Textbooks - Grade 6		60			
TOTAL	<u>380</u>	<u>135</u>	<u>725</u>	<u>770</u>	<u>2,010</u>
<u>Workbooks</u>					
Writing - Grade 1		115	350	350	
Mathematics - Grade 1		115	350	350	
Writing - Grade 2		70	210	210	
Mathematics - Grade 2		70	210	210	
TOTAL		<u>370</u>	<u>1,120</u>	<u>1,120</u>	<u>2,610</u>
<u>Teachers' Guides</u>					
Curriculum Guides	150				
Textbooks	10	5	20	20	
Workbooks		10	30	30	
TOTAL	<u>160</u>	<u>15</u>	<u>50</u>	<u>50</u>	<u>275</u>
<u>Bilingual Education Materials</u>					
Grade 1 - Textbooks and Teachers' guides			290	390	
Grade 2 - Textbooks and Teachers' guides			200	330	
TOTAL			<u>490</u>	<u>720</u>	<u>1,210</u>
GRAND TOTAL =====					<u>6,105</u> =====