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LOAN NUMBER 3003 GU

# Loan Agreement

(Second Basic Education Project)

between

REPUBLIC OF GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated *January 10*, 1990

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LOAN AGREEMENT

AGREEMENT, dated January 10, 1990, between REPUBLIC OF GUATEMALA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. 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) "CENALTEX" means Centro Nacional de Libros de Textos y Material Didáctico, the Borrower's National Textbook Center, established by Acuerdo Gubernativo No. 400-83 of June 17, 1983;

(b) "UCEE" means Unidad de Construcción de Edificios Educativos, the Borrower's school construction agency in the Ministry of Communications, Transport and Public Works;

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

(d) "DGE" means Dirección General de Educación, the Borrower's agency in the Ministry of Education responsible for the administration of the educational system;

(e) "PICU" means the Project Implementation Coordination Unit established by the Borrower within the DGE pursuant to Section 3.01 (c) of this Agreement;

(f) "DOP" means Departamento de Proyectos within USIPE responsible for the development and evaluation of the educational system;

(g) "Q" or "Quetzal" means the Borrower's national currency;

(h) "MOE" means the Borrower's Ministry of Education;

(i) "Revolving Fund" means the Borrower's Fondo Rotativo Global established by Acuerdo Gubernativo 26-4-76 of April 26, 1976;

(j) "Implementation Program" means the program referred to in Section 3.01 (b) of this Agreement for implementing the Project;

(k) "Plan of Work" means each of the detailed work schedules to be furnished to the Bank annually pursuant to Section 3.04 of this Agreement;

(l) "Operational Manual" means the Operational and Administrative Manual furnished by MOE to the Bank pursuant to Section 3.06 (a) of this Agreement;

(m) "PEAC" means the Programa para la Educación de Adultos por Correspondencia within the MOE;

(n) "MCTPW" means the Borrower's Ministry of Communications, Transport and Public Works; and

(o) "Executing Agencies" means, individually and collectively, DGE, PICU, USIPE, UCEE and CENALTEX, as well as any other unit within the MOE involved in the carrying out of the Project.

## 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 the Loan Agreement, an amount in various currencies equivalent to thirty million dollars (\$30,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement 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.

(b) On each of the semi-annual interest payment dates specified in Section 2.06 of this Agreement, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay, on such date, interest and other charges on the Loan accrued and payable on or before the date set forth, and up to the amount allocated in Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank.

Section 2.03. The Closing Date shall be June 30, 1995 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. 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 2.05. (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 of one 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 2.06 of this Agreement, including the Interest Period in which this Agreement is signed;
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank; and
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. 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. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project: (i) through USIPE, DGE, PICU, and CENALTEX, all within the MOE, as well as through other appropriate units of the MOE; and (ii) through UCEE, within the MCTPW, 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 Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out, or cause to be carried out, the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

(c) For the purposes of supervising and coordinating the carrying out of the Project, as well as carrying out certain parts

of the Project, the Borrower, through MOE, shall establish and maintain until Project completion a project implementation and coordination unit within the DGE, to be managed by a chief administrator and to be staffed with adequate personnel, all having experience and qualifications acceptable to the Bank.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services 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 3.03. (a) The Borrower, through the MOE, shall cause DOP to monitor and evaluate the progress and implementation of the Project, and to be managed by a chief administrator and to be staffed with adequate personnel, all having experience and qualifications acceptable to the Bank.

(b) Without limitation to the provisions of Section 9.07 of the General Conditions, the Borrower shall cause DOP to furnish to the Bank, semiannually no later than June 30 and December 31 of each year until Project completion, Project implementation reports assessing the progress towards meeting the targets of the Implementation Program.

Section 3.04. The Borrower shall, no later than October 31 of each year until Project completion, cause each of DGE, PICU, UCEE, USIPE and CENALTEX to furnish to the Bank a plan of work, satisfactory to the Bank, and shall cause each of DGE, PICU, UCEE and CENALTEX to furnish such plan of work also to USIPE: (a) specifying in reasonable detail the actions to be carried out by PICU, UCEE, USIPE and CENALTEX, respectively, during the next following calendar year in order to meet the Implementation Program; and (b) describing the budgetary provisions, including line-item allocations in the Borrower's official budget, made or proposed to be made for the funding of the activities to be carried out under such plans of work.

Section 3.05. The Borrower shall, until Project completion:

(a) no later than September 30 of each year, cause PICU to furnish to the Bank a reasonably detailed list of new classrooms to be constructed and existing classrooms to be upgraded under the

Project during the immediately following calendar year, as well as a list of schools selected for introducing double shift classes; and

(b) from time to time, furnish to the Bank evidence of appropriate legal action creating new teachers' positions to be filled during the implementation of the Project.

Section 3.06. (a) The Borrower shall cause MOE to furnish to the Bank the Operational Manual by July 31, 1990.

(b) The Borrower shall cause MOE and MCTPW to implement utilization of the Operational Manual by all of the Executing Agencies in carrying out the parts of the Project respectively assigned to them.

Section 3.07. The Borrower shall cause the Executing Agencies to: (a) carry out all studies included in the Project under terms of reference satisfactory to the Bank and in accordance with the Implementation Program; (b) promptly after the completion of each such study, furnish to the Bank a copy of its findings and recommendations; (c) afford the Bank a reasonable opportunity to comment on such findings and recommendations; and (d) where appropriate, prepare plans of action for the carrying out of such recommendations, taking into account the Bank's comments thereon.

Section 3.08. The Borrower shall: (a) cause PEAC to carry out the study or series of studies referred to in Part A.2 (a) of the Project; (b) no later than December 31, 1990, exchange views with the Bank with respect to such study or series of studies; and (c) after taking into account the views of the Bank, adopt an appropriate strategy for the implementation of Part A.2 (b) of the Project.

Section 3.09. (a) The Borrower, acting through DOP, shall exchange views with the Bank: (i) not later than December 31, 1991, on the progress and results achieved in carrying out Part A.4 of the Project; and (ii) no later than December 31, 1992, on the progress and results achieved in the development, publication and distribution of textbooks under the Project.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank reports covering, respectively, the matters referred to in the immediately preceding subparagraph (a),

clauses (i) and (ii), such reports to be in such detail as the Bank may reasonably request.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower, including the Executing Agencies, responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section 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, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;



- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. The Borrower shall take all actions and measures necessary or appropriate to enable each of the Executing Agencies to utilize funds from the Revolving Fund through PICU, at any time until Project completion, in such amounts as shall be required for them to carry out the parts of the Project respectively assigned to them.

#### ARTICLE V

##### Other Covenants

Section 5.01. The Borrower shall cause each of the Executing Agencies:

(a) to take out and maintain with responsible insurers insurance against such risks and in such amounts as shall be consistent with appropriate practice;

(b) to carry on their respective operations and conduct their respective affairs in accordance with sound administrative, financial, engineering and public education practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and

(c) at all times to operate and to maintain their respective buildings, facilities, plants, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and public education practices.

#### ARTICLE VI

##### Remedies of the Bank

Section 6.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that any of the Decrees, Regulations and other instruments regarding the creation and operation of the Revolving Fund, CENALTEX, USIPE, DOP, DGE, PICU 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 or the performance by the Borrower of its other obligations under this Agreement.

Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that any event specified in Section 6.01 of this Agreement shall occur.

#### ARTICLE VII

##### Effective Date; Termination

Section 7.01. 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) the PICU shall have been established, and the staff and chief administrator of the PICU shall have been appointed pursuant to Section 3.01 (c) of this Agreement; and

(b) the Borrower shall have acquired title to all land required for the schools or classrooms to be constructed or expanded during the twelve-month period immediately following the effective date of this Agreement.

Section 7.02. The date *April 10, 1990* is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. The Minister of Education of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Finanzas  
Centro Cívico  
8a Avenida, Calle 21, Zona 1  
Guatemala, Guatemala

Cable address:

MINFIP  
Guatemala

Telex:

9207  
MINFIP-GU

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 duly authorized representatives, 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.

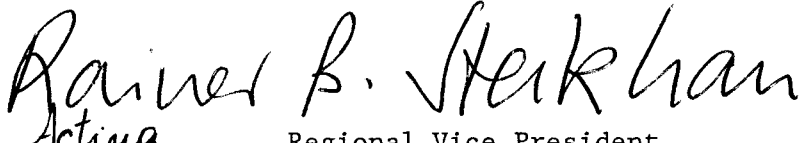
REPUBLIC OF GUATEMALA

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>
(1) Works:		
(a) under Part A of the Project (excluding repairs of existing classrooms under Part A.1 (b))	11,000,000	80%
(b) under Part C.2 of the Project	2,900,000	65%
(2) Goods (not including textbooks)	2,500,000	100% of foreign expenditures and 90% of local expenditures
(3) Textbooks	5,300,000	90%
(4) Training	800,000	40%

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(5) Technical assistance, including consultants' services	1,050,000	100%
(a) under Part A.2 of the Project	125,000	
(b) under Part A.3 of the Project	250,000	
(c) under Parts B and C of the Project	675,000	
(6) Operating Costs pertaining to Project management, including Project monitoring and evaluating	550,000	90%

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(7) Interest and other charges on the Loan accrued on or before February 14, 1995	3,100,000	Amounts due pursuant to Section 2.02 (b) of this Agreement
(8) Unallocated	2,800,000	
TOTAL	<u>30,000,000</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. 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; and (b) unless the Borrower shall have entered into an agreement, with an independent auditor or auditors, acceptable to the Bank, for the purpose of carrying out, for the Borrower's fiscal year 1989, the audit referred to in Section 4.01 of this Agreement.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of Category (1) (b) in paragraph 1 above, unless the Borrower shall have furnished to the Bank satisfactory evidence that it has acquired clear title to all land required as the site of the building to be constructed under Part C.2 of the Project.

5. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for any expenditures, unless each of the Executing Agencies shall have furnished to the Bank a satisfactory Plan of Work, pursuant to Section 3.04 of this Agreement, covering the year during which the expenditure was made for which any such withdrawal is requested.

6. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for any expenditures under Part A.2 (b) of the Project, unless the Borrower shall have: (a) provided evidence satisfactory to the Bank that the PEAC has been legally and formally authorized to expand its activities to accommodate Part A.2 (b) of the Project; and (b) satisfied all of its obligations under Section 3.08 of this Agreement.



## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (i) increase net student enrollment in primary education; (ii) improve the quality and efficiency of lower primary education; and (iii) improve educational management.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

#### Part A: Increasing Net Student Enrollment

1. Expanding school capacity through: (a) constructing, furnishing and equipping about 1,100 additional classrooms in existing schools, including about 110 such classrooms for bilingual education; (b) repairing, furnishing or equipping about 2,100 existing classrooms in which double shifts will be introduced, including about 210 such classrooms for bilingual education; and (c) recruiting and employing approximately 3,200 new teachers, including a minimum of 320 new teachers capable of teaching in a bilingual classroom, 1,100 new teachers to be assigned to newly constructed classrooms, and 2,100 new teachers to effect double-shift teaching.
2. (a) Carrying out of a study or series of studies to review and analyze alternative options and strategies for the implementation of the distance education program referred to in subparagraph (b) immediately following this subparagraph (a).  
  
(b) Carrying out a program of distance education to serve approximately 4,500 students in grades IV through VI, including acquisition and utilization of didactic materials and supplies and expanding the responsibilities of the PEAC through recruitment of additional staff and local coordinators.
3. Carrying out annual public campaigns for each of the following purposes: (a) stressing the benefits of early education in the mother language, targeted especially in rural areas to encourage early enrollment of children with emphasis on female and Mayan children; (b) reducing resistance to multigrade teaching; (c) mobilizing community participation in classroom construction; and (d) promoting the distance education program for the upper primary grades.

4. Carrying out a plan to support the availability of nutrition programs in schools, including construction of food storerooms and kitchens for about 500 rural schools.

Part B: Improving Quality and Efficiency of Lower Primary Education

1. Providing training materials by: (a) development, publication and distribution of about 380,000 textbooks for grade IA (preparatory); (b) production and distribution of about 666,000 replacement textbooks for grade IB, about 281,000 replacement textbooks for grade II and about 235,000 replacement textbooks for grade III; (c) production and distribution of a minimum of 15,000 teachers' guides and about 3,000,000 mathematics and Spanish workbooks; and (d) provision of incremental supplies for about 2,500 classrooms and approximately 780,000 pupils in grades IA through III. The foregoing materials shall include a minimum of 200,000 textbooks and 225,000 workbooks for bilingual education.

2. Training of teachers, including about 3,200 new teachers being recruited for grades IA through III in the utilization of textbooks and teaching in grade IA; and including about 13,000 existing teachers in grades IB through III, to receive training, inter alia, in the following: (a) changes in the curriculum; (b) student evaluation; (c) community support; (d) classroom management; and (e) multigrade teaching.

3. Carrying out of studies for: (a) improving teacher training; (b) curriculum reform of grades IA through III, with emphasis on the needs of rural areas; (c) extending the bilingual education program from the present four linguistic groups to include additional language groups; (d) development of student evaluation techniques, including definition of promotion standards; (e) improving methods to manufacture and maintain school furniture; (f) local technologies for construction and evaluating the experience with community participation in construction under this Project; and (g) improving maintenance of school buildings.

Part C: Improving Education Management

1. Strengthening managerial capacity of the MOE by: (a) training regional administrators and planners in the techniques of micro-planning; and (b) supporting improvements in management information system.

2. Construction, furnishing and equipping of a central office building for the use of the MOE.

3. Technical assistance to MOE to develop and utilize administrative handbooks regarding: (a) organization and function; and (b) norms and procedures for each of the following MOE units: (i) pre-primary and urban primary; (ii) rural education; (iii) school supervision; and (iv) preparatory and primary schools.

4. Technical assistance to MOE to delegate authority to, and strengthen the capacity of, local and regional supervisors and principals, including carrying out of a study to define new roles and responsibilities of local and regional supervisors and principals, and carrying out of a training program of such supervisors and principals.

5. Technical assistance for Project management, including: (a) establishment, organization and functioning of the PICU; (b) preparation and monitoring of the yearly work program; (c) preparation of Project reports; and (d) revision, if necessary, of the Operational Manual.

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The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
August 15, 1994	555,000.00
February 15, 1995	575,000.00
August 15, 1995	595,000.00
February 15, 1996	620,000.00
August 15, 1996	640,000.00
February 15, 1997	665,000.00
August 15, 1997	690,000.00
February 15, 1998	720,000.00
August 15, 1998	745,000.00
February 15, 1999	775,000.00
August 15, 1999	805,000.00
February 15, 2000	835,000.00
August 15, 2000	865,000.00
February 15, 2001	900,000.00
August 15, 2001	930,000.00
February 15, 2002	970,000.00
August 15, 2002	1,005,000.00
February 15, 2003	1,045,000.00
August 15, 2003	1,080,000.00
February 15, 2004	1,125,000.00
August 15, 2004	1,165,000.00
February 15, 2005	1,210,000.00
August 15, 2005	1,255,000.00
February 15, 2006	1,305,000.00
August 15, 2006	1,355,000.00
February 15, 2007	1,405,000.00
August 15, 2007	1,460,000.00
February 15, 2008	1,515,000.00
August 15, 2008	1,570,000.00
February 15, 2009	1,620,000.00

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\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

The following premiums are specified for the purposes of 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	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than eleven years before maturity	0.55
More than eleven years but not more than sixteen years before maturity	0.80
More than sixteen years but not more than eighteen years before maturity	0.90
More than eighteen years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic and Regional Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, a margin of preference will be granted to bids offering goods described in the accompanying specification which are manufactured to a substantial extent in any country, including Guatemala, which is a party to the Mercado Común Centroamericano, the common market created by the General Treaty for Central American Economic Integration signed at Managua, Nicaragua on December 13, 1960 by Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica (hereinafter called the CACM), in accordance with, and subject to, the following provisions:

1. For the purposes of Part B of this Schedule, the following definitions shall apply:

- (a) (i) the term "Qualified CACM Bid" means a bid submitted by a manufacturer established in territories of member countries, including Guatemala, of the CACM, for goods manufactured or processed in such territories and for which the bidder shall have established to the satisfaction of the entity or agency inviting bids that manufacturing or processing cost of such goods includes a value added in such territories equal to at least 20% the ex-factory bid price of such goods;
- (ii) the term "Non-Qualified CACM Bid" means a bid submitted by a manufacturer established in territories of member countries, including Guatemala, of the CACM, for goods manufactured or processed in such territories, other than any such bid classified as a Qualified CACM Bid; and

(iii) the term "Foreign Bid" means any bid which is neither a Qualified CACM Bid or a Non-Qualified CACM Bid.

2. All bidding documents for the procurement of goods shall clearly indicate any preference which would be granted and shall set forth the information required to establish the eligibility of a bid for such preference.

3. Bidders are required to state in their bid the c.i.f. (port of entry) price of imported goods and the ex-factory price of locally manufactured goods.

4. Except to the extent hereinafter provided, bids will be compared on the basis of their ex-factory or c.i.f. (port of entry) price adjusted in accordance with paragraphs 2.49 through 2.54 of the Guidelines.

5. After evaluation, responsive bids will be classified in one of the following groups: Qualified CACM Bids, Non-qualified CACM Bids or Foreign Bids.

6. All bids in each group will be first compared among themselves, to determine the lowest evaluated bid in each such group. The lowest evaluated bids of each group will then be compared with each other and if, as a result of this comparison, an evaluated Qualified CACM Bid or Non-Qualified CACM Bid is the lowest it will be selected for purpose of award.

7. If the lowest bid in the comparison under paragraph 6 above is a Foreign Bid, such bid will be further compared with the lowest evaluated Qualified CACM Bid as determined under paragraph 6 above. For the purposes of this comparison only, each Foreign Bid will be compared on the basis of the sum of its c.i.f. (port of entry) price adjusted in accordance with the provisions of paragraph 4 above, plus an amount equal to the smaller of (i) one-half the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of goods offered in such Foreign Bid, or (ii) 15% of the c.i.f. bid price of such goods. If the Qualified CACM Bid is the lowest evaluated bid in such comparison, it shall be selected for the purpose of award; otherwise, the lowest evaluated Foreign Bid as determined under paragraph 6 above shall be so selected.

Part C: Other Procurement Procedures

1. The following items may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank:

(a) civil works estimated to cost less than \$400,000, up to an aggregate amount not to exceed \$11,800,000;

(b) textbooks or textbook printing orders estimated to cost less than \$200,000, up to an aggregate amount not to exceed \$4,000,000; and

(c) goods (other than textbooks) estimated to cost less than \$100,000 up to an aggregate amount not to exceed \$3,500,000.

2. Miscellaneous goods (other than textbooks) estimated to cost less than \$20,000, up to an aggregate amount not to exceed \$1,000,000, may be procured on the basis of local shopping after obtaining at least three price quotations, in accordance with procedures satisfactory to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. (a) With respect to each contract for goods (including textbooks) estimated to cost the equivalent of \$100,000 or more and each contract for civil works estimated to cost the equivalent of \$400,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 of the Guidelines shall apply.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditures. Such contracts shall be retained in accordance with Section 4.01 (c) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.



Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall 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.

SCHEDULE 5

Implementation Program  
(expressed in %)

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<u>Overall Management</u>						
Establish PICU	100					
Operational Manual	100					
Identify Audit Firms	100					
Budgetary Provisions	100					
Audit firms contracted	100					
Opening Accounts	100					
<u>Part A: Increasing Net Student Enrollment</u>						
<u>Classrooms:</u> sites identified	27	54	82	100		
constructed		27	54	82	100	
equipped		27	54	82	100	
<u>Double Shifts Introduced</u>	19	29	37	72	100	
<u>Supplies:</u> classrooms	12.5	28	50	75	100	
students	3	11	24	43	68	100
<u>Recruitment and training of teachers</u>						
<u>Teachers</u> - Recruited	12.5	28	50	75	100	
- Trained (new)	12.5	28	50	75	100	
- Trained (existing)	20	40	60	80	100	

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<u>Super-</u> <u>vision</u>						
- Study		100				
- Training			20	47	73	100
<u>Distance Education</u>		11	29	50	75	100
<u>Public Campaigns</u>						
Local Participation	16	33	50	67	83	100
Distance Education	16	33	50	67	83	100
Early Enrollment	16	33	50	67	83	100
Multigrade Teaching	16	33	50	67	83	100
<u>School Nutrition</u>		40	60	80	100	
<u>Part B: Improving Quality</u> <u>and Efficiency</u>						
Grades IA						
Production		100				
Distribution		63	79	95	100	
Grades IA-III						
Textbooks		56	82	100		
Workbooks		19	36	58	76	100
Teachers Guides		33	66	100		
<u>Studies</u>						
Local Tech- nologies of Con- struction						100
Curricula	100					

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<u>Studies</u>						
School furniture		100				
Bilingual education			100			
Student evaluation		100				
Teacher training			100			
School building maintenance			100			
Responsibilities of regional supervisors and principals			100			
<u>Part C: Improving Education Management</u>						
<u>Administrative handbooks</u>	50	100				
<u>Training regional administrators</u>		20	40	60	80	100
<u>Central Office</u>						
Preliminary studies	100					
Construction		25	65	100		