
LOAN NUMBER 3895-GU

Loan Agreement

(Integrated Financial Management Project)

between

REPUBLIC OF GUATEMALA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated *January 22, 1996*

LOAN NUMBER 3895-GU

LOAN AGREEMENT

AGREEMENT, dated *January 22*, 1996, 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;

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 modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

- (c) In Section 6.02, subparagraph (k) is relettered as subparagraph (l) and a new subparagraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

Section 1.02. 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) "Acuerdo Gubernativo" means the instrument to be issued by the Borrower's President pursuant to Section 6.01(a) of this Agreement establishing the terms of reference for SIAF (as the term is defined below) and stipulating the functions, powers and responsibilities of MOF (as the term is defined below) with respect to SIAF;

(b) "Administrative Agreement" means the contractual arrangements dated April 6, 1995 entered into between MOF and the Office (as both terms are defined below) which stipulates the terms under which MOF and the Office have agreed to a close cooperation for purposes of the carrying out of SAG, SIAF (as both terms are defined below), and the Project, including the terms and conditions for participation by the Office in the Executive Committee and in the Technical Committee (as both terms are defined below);

(c) "Executive Committee" means the executive committee to be provided for under Acuerdo Gubernativo;

(d) "MOF" means the Borrower's Ministry of Public Finance;

(e) "Office" means the Office of the Borrower's Comptroller General established pursuant to the provisions of Chapter III of Title V of the Borrower's constitution, whose cooperation with MOF under the Project has been provided for under the Administrative Agreement and pursuant to the stipulations of the Office Acuerdo (as the term is defined below);

(f) "Office Acuerdo" means the Acuerdo No. A-10/95 issued by the Office on April 6, 1995 establishing the terms of reference for SAG (as the term is defined below);

(g) "SAG" means the Borrower's Sistema de Auditoría Gubernamental (Government Auditing System), as provided for under the Office Acuerdo;

(h) "SIAF" means the Borrower's Sistema Integrado de Administración Financiera (Integrated System of Financial Management), as provided for under the Acuerdo Gubernativo; •

(i) "Technical Committee" means the technical committee provided for in Acuerdo Gubernativo; and

(j) "UDAF" means each financial management unit to be established in each of MOF, the Office, the Borrower's Ministries of Health and Education and such other Borrower's public sectors institutions as agreed from time to time between the Borrower and the Bank.

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, various currencies that shall have an aggregate value equivalent to the amount of nine million four hundred thousand dollars (\$9,400,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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 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. The Closing Date shall be December 31, 1999 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 for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal

amount outstanding during the preceding Interest Period, calculated at the rate applicable during 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 determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in 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 other than Part A.5 thereof through MOF and Part A.5 of the Project through the Office, with due diligence and efficiency and in conformity with appropriate administrative and financial 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 the Project in accordance with the implementation program set forth in the supplemental letter from the Borrower to the Bank of even date herewith.

(c) 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 not, until a date six months after the Closing Date, change the Administrative Agreement, or waive or fail to enforce any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods 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. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank 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, a plan for the future operation of the SIAF and the SAG;

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan; and

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Bank's comments thereon.

Section 3.04. The Borrower shall, for purposes of the carrying out the Project, acting jointly through MOF and the Office: (a) enter, with a legal entity acceptable to the Bank, into an agreement under which the entity in question will assist the Borrower in procuring goods and services under the Project and in managing the services so procured, all on terms and conditions satisfactory to the Bank; and (b) exercise all its rights under such agreement and refrain from terminating such agreement or from changing or failing to enforce or waiving any provision thereof.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and separate 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 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 six 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.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified, namely, that the Acuerdo Gubernativo or the Office Acuerdo shall have been abrogated, repealed or terminated, or changed in a manner which, in the opinion of the Bank, would have an adverse and material effect on the carrying out of the Project.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely that any of the events 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) the Acuerdo Gubernativo has been issued in form and substance satisfactory to the Bank;
- (b) the agreement stipulated under Section 3.04 of this Agreement, has been executed and delivered in form and substance satisfactory to the Bank; and
- (c) the staffing requirements for the Executive Committee have been fulfilled in form and substance satisfactory to the Bank.

Section 6.02. The date of *April 23, 1996* 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 Borrower's Minister of Finance 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
8ª. Avenida y 21 Calle
Centro Cívico
Zona, 1, Guatemala

Cable address:

Telex:

MINFIP
Guatemala, Guatemala

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:

Telex:

INTBAFRAD
Washington, D.C.

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)]

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.

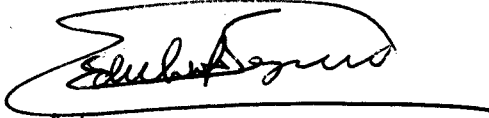
REPUBLIC OF GUATEMALA

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) Consultant Services	3,700,000	100%
(2) Goods	4,000,000	100% of foreign expenditures and 85% of local expenditures
(3) Training	400,000	100% of foreign expenditures and 85% of local expenditures
(4) Project Management	500,000	100%
(5) Unallocated	800,000	
TOTAL	<u>9,400,000</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;

(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; and

(c) (i) the term "Training" means training facilities under the Project, including audiovisual equipment, training of staff of UDAFs and of trainers, and travel abroad by selected trainees; and (ii) the term "Project Management" means support staff for the Executive Committee and fees payable to the entity referred to in Section 3.04 of this Agreement pursuant to the provisions of the agreement to be entered into in accordance with the stipulations of such Section.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$ 900,000, may be made in respect of any Category on account of payments made for expenditures before that date but after January 31, 1995.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for goods under contracts not exceeding \$100,000 equivalent, and for services under contracts not exceeding \$25,000 equivalent to the extent such contracts are not subject to prior review pursuant to the provisions of the second paragraph of point 2 of Section II of Schedule 4 to this Agreement, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (1) to improve the efficiency, accountability and transparency of the financial management functions of the Borrower's public sector through implementation of the SIAF and SAG; and (2) to improve the delivery of public services by supporting the decentralization to each respective Borrower's Ministry of primary responsibility for management of their corresponding financial resources, both with the overall goal of strengthening the financial management capability of the Borrower's government and to help restore public confidence in the public sector integrity and competence.

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: Financial Management Reform

Production of government financial management subsystems in six key areas as mentioned below, all to be done with the help of technical assistance services to be hired for that purpose. An attempt shall be made to consolidate the normative basis for each of the subsystems and their integration (other than in the cases of Parts A, 4 (e), 5 (h) and 6 (g) of the Project) by submitting a bill for that purpose to the Borrower's legislative branch, upon or shortly before completion of the Project.

1. Budgeting: (a) preparation and implementation of budget formulation, execution, liquidation and evaluation manuals; (b) preparation of a performance indicator catalogue with emphasis on investment and service delivery programs; (c) design and implementation of a new multi-year budget document format which shall include justifications for spending; (d) design and implementation of measures adequate to conform to the corresponding national budget the annual operating and/or investment plans prepared by the Borrower's ministries jointly with the Borrower's National Planning Secretariat (Secretaría General del Consejo Nacional de Planificación Económica); (e) design and implementation of new budget/accounting classifications and budget execution units in a number significantly reduced from the current ones; (f) establishment of clear operating linkages between MOF's Directorate of Budget and each UDAF; and (g) design and implementation of measures adequate to result in an active participation by the UDAFs in the formulation of the budget of the corresponding Borrower's ministry and of the Office.

2. Accounting: (a) preparation and implementation of new regulations for government-wide accounting, including a uniform manual for said implementation which, inter-alia, will set forth new technical standards based on generally accepted accounting principles; (b) design and implementation of a new chart of accounts which is simple, clear and flexible; (c) implementation of a plan of actions which will result in closing the accounts on government's financial performance in a timely manner upon the end of the corresponding fiscal year; and (d) preparation and implementation of measures adequate to ensure proper and uniform accounting treatment of arrears in payments due by public sector entities.

3. Cash Management: (a) preparation and implementation of more transparent and simple rules for the processing of payment orders within the Borrower's public sector; (b) establishment within MOF of a cash management committee under terms of reference which shall ensure transparent and predictable membership, rules and procedures; (c) development of a cash flow forecasting system which could facilitate budget execution; (d) implementation of a single bank account mechanism so as to enable MOF's treasury to strengthen its control over revenues and expenditures; and (e) establishment of a UDAF-based system of payment authorizations for entities within the Borrower's public sector required to execute payments, which system shall substitute for the current system of purchase and payment orders processed by MOF.

4. Debt management: (a) establishment of a national commission on public credit comprised of high level representatives of MOF (chairperson) and the Borrower's Banco de Guatemala and National Planning Secretariat; (b) establishment of an appropriate structure within MOF with responsibility for, inter alia, implementing the policies formulated by the aforesaid Commission, and which shall operate under terms of reference and adequately staffed; (c) establishment of a rolling multi-year debt plan; (d) establishment of a debt management information system; and (e) submission to the Borrower's legislative branch of a bill enabling the Borrower's executive branch to contract or guarantee external public debt, including debt with multilateral financial institutions of which Guatemala is a member under a mechanism which shall not require specific approval of every operation to the extent the executive branch shall have not exceeded reasonable limits pre-established by the legislative branch within its powers under the Borrower's constitution.

5. Auditing: (a) Restructuring of the functioning and administrative rules of the Office; (b) design and implementation of technical standards for audits for use by the Office and the internal audit units of the public sector institutions, including standards for responding to audit report recommendations and qualifications; (c) preparation and implementation of a manual for use in audits of records and accounts of all non-banking public institutions which are not subject to auditing rules governing legal entities operating

under commercial or civil laws; (d) preparation and implementation of a plan for subjecting to appropriate professional standards the governmental auditors' activities; (e) putting into effect an annual plan comprising of all audits expected to be performed in the year in question; (f) design and implementation of regulations to utilize private auditing firms to audit accounts and records pertaining to the aforesaid non-banking public institutions; (g) preparation and submission to the Borrower's legislative branch of a bill governing all aspects of auditing in the public sector; and (h) strengthening of the existing Office auditing school.

6. Procurement: (a) strengthening of the directorate of procurement within MOF to serve as the rector institution to develop procurement guidelines and monitor their implementation; (b) establishment of transparent procurement regulations and procedures for use in all procurement by public sector entities; (c) establishment in each of the Borrower's public sector institutions of a unit responsible for overseeing procurement within the institution in question and for the development of annual procurement plans for such ministry which plans will be used in the formulation process of the corresponding annual national budget; (d) establishment of a central information mechanism to report on government purchases; (e) establishment of a new suppliers registry with fair and transparent rules for registration therein which shall ensure open competition; (f) reform within the powers of the Borrower's executive branch of the current mechanisms for open contracts (contratos abiertos) to enhance price competition and quality control; and (g) preparation and submission to the Borrower's legislative branch of a bill governing all aspects of procurement by public sector entities, which bill will follow the principles of economy and efficiency in procurement of goods, works and services and which will be consistent with the procurement guidelines and policies of the international financial institutions which provide funds for the Borrowers development, including those of which the Borrower is a member.

Part B: Information Systems Development

Putting in place a modern, mini/microcomputer based, open information technology network supporting the integrated financial management subsystems to be carried out under Part A of the Project. Such network shall, among other things, provide data to a principal government-wide financial data base and will be made gradually available to all public sector institutions. This part of the Project shall include:

1. Transformation of MOF's Information Technology (Dirección Técnica de Informática) into the rector institution for the Borrower's public sector with regard to policies and protocols for information technology.

2. Assessment of the computer technology currently available in the Borrower's public sector institutions and, on the basis of such assessment, design of a plan to convert the existing technology into the aforesaid technology network.

3. Pursuant to the plan under (2) above, acquisition and utilization of hardware, acquisition or development, or both, of adequate software, and installation of an integrated information technology system for financial management in MOF, the Office and the Borrower's Ministry of Health and Education and, subsequently, in other participating public sector institutions as determined from time to time by agreement between the Borrower and the Bank.

Part C: Training in support of the adequate utilization of the subsystems under Part A and the systems under Part B.

1. Execution of a program of short but intense and formal courses with certificates of advancement, aimed at all technical, middle management and senior level officers involved in financial management aspects in MOF, the Office, and the Borrower's Ministries of Health and Education and other forms of intensive training specially targeted to staff of the UDAFs. The courses will be conducted in the training center of MOF and, if so agreed between the Borrower and the Bank, could be expanded to other participating public sector institutions as determined from time to time by agreement between the Borrower and the Bank.

2. Development of national training capacity, both within MOF and with professional organizations and universities in Guatemala.

3. A program of very limited visits to observe and analyze financial management systems in operation in other Latin American countries.

* * *

The Project is expected to be completed by June 30, 1999.

SCHEDULE

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)</u>
February 15, 2001	180,000
August 15, 2001	185,000
February 15, 2002	195,000
August 15, 2002	200,000
February 15, 2003	210,000
August 15, 2003	215,000
February 15, 2004	225,000
August 15, 2004	230,000
February 15, 2005	240,000
August 15, 2005	245,000
February 15, 2006	255,000
August 15, 2006	265,000
February 15, 2007	275,000
August 15, 2007	285,000
February 15, 2008	295,000
August 15, 2008	305,000
February 15, 2009	315,000
August 15, 2009	325,000
February 15, 2010	340,000
August 15, 2010	350,000
February 15, 2011	365,000
August 15, 2011	375,000
February 15, 2012	390,000
August 15, 2012	405,000
February 15, 2013	415,000
August 15, 2013	430,000
February 15, 2014	445,000
August 15, 2014	465,000
February 15, 2015	480,000
August 15, 2015	495,000

* 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

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

<u>Time of Prepayment</u>	<u>Premium</u>
	The interest rate (expressed as a percentage per annum) applicable to 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

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines), and the following provisions of this Section, as applicable.

Part B: Procurement Procedures

1. Limited International Bidding

Goods estimated to cost \$100,000 equivalent or more per contract may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines. For this purpose, the Borrower shall, to the extent possible, package goods in lots estimated to cost \$100,000 or more.

2. International or National Shopping

Goods estimated to cost, per contract: (a) less than \$100,000 equivalent but more than \$25,000 equivalent; and (b) \$25,000 equivalent or less, may be procured under contracts awarded on the basis of international and national shopping procedures, respectively, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines. Contracts awarded under these procedures shall not exceed the equivalent of \$100,000 in the aggregate.

Part C: Review of the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract to be awarded under Part B.1 of this Schedule, the procedures set forth in paragraphs 2 and 3 of the Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultant services shall be procured 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 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to contracts for the employment of consulting firms or for the employment of individuals, estimated to cost less than \$25,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; or (d) amendments to contracts for the employment of individual consultants or consulting firms raising the contract value to \$25,000 equivalent or above.