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LOAN NUMBER 4149-GU

# Loan Agreement

(Private Participation in Infrastructure Technical Assistance Loan)

between

REPUBLIC OF GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated March 3, 1998

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**LOAN NUMBER 4149-GU**

AGREEMENT, dated March 3, 1998, between REPUBLIC OF GUATEMALA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) 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;

(B) the Borrower intends to contract from the United States Agency for International Development (the USAID) a grant (the USAID Grant) in an amount of \$600,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the USAID Grant Agreement) to be entered into between the Borrower and USAID; 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 for Single Currency Loans" of the Bank, dated May 30, 1995, with the modification set forth below (the General Conditions) constitute an integral part of this Agreement:

Section 6.03 is modified to read:

"Section 6.03. **Cancellation by the Bank.** If: (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days; or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan; or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower

or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan; or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan; or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account; or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled.”.

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) “Contracting Law” means Decree (Decreto) No. 57-92 of the Borrower dated October 5, 1992 and published in the official gazette (Diario Oficial) on October 27, 1992 which regulates, inter alia, the granting of concessions by the Borrower to the private sector, as such law has been amended to the date of this Agreement;

(b) “Electricity Law” means Decree (Decreto) No. 93-96 of the Borrower dated October 16, 1996 and published in the official gazette (Diario Oficial) on November 15, 1996 which regulates, inter alia, the generation, transmission and distribution of electricity in the territory of the Borrower, as such law has been amended to the date of this Agreement;

(c) “Executing Agency” means the office of the Commissioner for the Modernization of the Executive Branch and the Public Administration (Comisionado Presidencial para la Modernización del Organismo Ejecutivo y de la Administración Pública) established by the Borrower pursuant to the Executive Decree (as defined below);

(d) “Executive Decree” means Executive Decree (Acuerdo Gubernativo) No. 493-96 of the Borrower dated November 21, 1996 and published in the official

gazette (Diario Oficial) on November 28, 1996, as such Executive Decree has been amended to the date of this Agreement;

(e) "INDE" means the National Institute of Electrification (Instituto Nacional de Electrificación) of the Borrower established pursuant to Decree (Decreto) No. 64-94 dated December 7, 1994 and published in the official gazette (Diario Oficial) on February 20, 1995, as such Decree has been amended to the date of this Agreement;

(f) "Performance Indicators" means the indicators of Project inputs, outputs and impact contained in the letter from the Borrower to the Bank of even date herewith, as such indicators may be amended from time to time with the agreement of the Bank;

(g) "Procurement Agent" means the United Nations Development Programme which will assist the Borrower in matters related to the procurement of goods and services under the Project;

(h) "Procurement Agreement" means the agreement referred to in Section 3.11 of this Agreement;

(i) "Regulatory Agencies" means the Borrower's National Commission of Energy (Comisión Nacional de Energía Eléctrica), the Superintendency of Telecommunications (Superintendencia de Telecomunicaciones) or any other regulatory agency acceptable to the Bank;

(j) "Sectoral Entities" means the state-owned entities with legal personality under the jurisdiction of the Sectoral Ministries which will be benefited under the Project;

(k) "Sectoral Ministries" means the Borrower's Ministry of Energy and Mines (Ministerio de Energía y Minas), the Ministry of Communications, Transport and Public Works (Ministerio de Comunicaciones, Transportes y Obras Públicas) or any other ministry acceptable to the Bank; and

(l) "Telecommunications Law" means Decree (Decreto) No. 94-96 of the Borrower dated October 17, 1996 and published in the official gazette (Diario Oficial) on November 18, 1996 which establishes, inter alia, the legal framework to carry out telecommunications activities within the telecommunications sector, as such law has been amended to the date of this Agreement.

## **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 equal to thirteen million Dollars (\$13,000,000).

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 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 June 30, 2001 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 percent ( $3/4$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.06. Interest and other charges shall be payable in arrears on May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

## **ARTICLE III**

### **Execution of the Project**

Section 3.01. 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, through the Executing Agency and in coordination with the Sectoral Ministries and the Sectoral Entities, with due diligence and efficiency and in conformity with appropriate engineering, economic, financial, management, administrative and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and 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. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, 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 designed to ensure the continued achievement of the Project's objectives; and

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

Section 3.04. The Borrower shall maintain policies and procedures adequate to monitor and evaluate on an ongoing basis, the carrying out of the Project and the achievement of the objectives thereof in accordance with the Performance Indicators.

Section 3.05. Without limitation to paragraph (a) of Section 3.01 of this Agreement and Section 9.06 of the General Conditions, the Borrower shall: (a) not later than July 31 of each year during Project implementation, starting in 1997, prepare and furnish to the Bank a plan of such scope and in such detail as the Bank shall reasonably request with respect to the activities to be carried out under the Project during the twelve months following the date of presentation of each such plan; and (b) thereafter carry out, or cause to be carried out, the corresponding plan in accordance with its terms.

Section 3.06. Without limitation to Section 9.07 of the General Conditions, the Borrower shall, not later than January 31 and July 31 of each year during Project implementation, starting in January 1998, prepare and furnish to the Bank a report of such scope and in such detail as the Bank shall reasonably request with respect to the progress made in the carrying out of the Project during the six months preceding the date of presentation of each such report.

Section 3.07. (a) The Borrower shall operate and maintain during the implementation of the Project the Executing Agency with functions and responsibilities satisfactory to the Bank, including, inter alia, the obligation of the Executing Agency to assist the Borrower in the carrying out of the Project.

(b) The Borrower shall ensure that the Executing Agency is at all time comprised of staff in adequate numbers, all with qualifications acceptable to the Bank.

Section 3.08. Without limitation to the provisions of Section 9.01 of the General Conditions, the Borrower shall, not later than February 28 of each year during Project implementation, starting in February 1998, review jointly with the Bank the corresponding reports mentioned in Section 3.06 of this Agreement in order to determine the progress made in carrying out the Project and in achieving the objectives of the Project. As part of each such review the Bank may require the Borrower to prepare an action plan, satisfactory to the Bank, to make adjustments in Project implementation. If so, the Borrower shall: (a) not later than forty five calendar days after the conclusion of the review in question prepare and furnish to the Bank such action plan; and (b) thereafter carry out such action plan in accordance with its terms.

Section 3.09. After the selection of the roads that would be concessioned to, or contracted out with, a private entity as referred to in Part A.1 (d) of the Project and as part of the environmental and social assessments to be carried out under Part A.3 (b) of the Project with respect to each such road, the Borrower shall: (a) address in a manner and under terms satisfactory to the Bank (prior to the commencement of any works in the corresponding road) any potential negative environmental and/or social impact on the communities and/or groups living in the area where such roads would be located; and (b) include in the bidding documents for the concessioning or contracting of each such road the obligation of: (i) the bidder to: (A) take (prior to the commencement of any works in the corresponding road) the actions, satisfactory to the Bank, to address any potential negative environmental impact resulting from the environmental assessment mentioned herein; and (B) carry out such works in accordance with acceptable environmental practices; and (ii) the Borrower, if applicable, to take the actions, satisfactory to the Bank, to address in a manner and under terms satisfactory to the Bank any potential negative social impact resulting from the social assessments mentioned herein.

Section 3.10. The environmental assessments referred to in Part A.3 (a) of the Project shall be carried out prior to: (a) the granting of a concession to, or the contracting out with, any private entity with respect to activities or services within the port and power sectors; or (b) the sale of assets or the restructuring of a state-owned entity operating under the power sector.

Section 3.11. (a) Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower shall not later than three months after the Effective Date enter into an agreement (the Procurement Agreement) with the Procurement Agent under terms and conditions satisfactory to the Bank, including the obligation of the Procurement Agent to assist the Borrower in the procurement of goods and services under the Project.

(b) Except as the Bank shall otherwise agree, the Borrower shall not amend, assign, terminate, abrogate, waive or fail to enforce the Procurement Agreement or 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 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 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.

## ARTICLE V

### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (I) of the General Conditions, the following additional events are specified:

(a) That the Contracting Law, the Electricity Law or the Telecommunications Law or any provision thereof shall have been amended, suspended, abrogated, repealed, waived or not enforced so as to materially and adversely affect, in the opinion of the Bank, the ability of the Borrower to carry out the Project.

(b) That the Executive Decree or any provision thereof shall have expired or shall have been amended, suspended, abrogated, repealed, waived or not enforced so as to materially and adversely affect, in the opinion of the Bank, the ability of the Borrower to carry out the Project.

(c) That the legal framework referred to in paragraph 3 (b) of Schedule 1 to this Agreement shall have been amended, suspended, abrogated, repealed, waived or not enforced so as to materially and adversely affect, in the opinion of the Bank, the ability of the Borrower to carry out the Project.

(d) The USAID Grant Agreement shall have failed to become effective by July 31, 1997, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(e) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any grant (including the USAID Grant) or loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of any such agreement providing therefor; or

- (B) any such loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement (including the USAID Grant Agreement); and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) That any event specified in paragraphs (a) or (b) or (c) of Section 5.01 of this Agreement shall occur.

(b) The event specified in paragraph (e) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (e) (ii) of such Section.

## ARTICLE VI

### Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Executing Agency has been staffed as provided in Section 3.07 of this Agreement.

Section 6.02. The date June 1, 1998 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  
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:

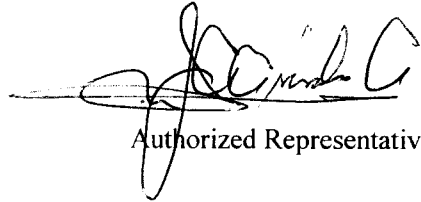
INTBAFRAD  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Guatemala City, Republic of Guatemala, as of the day and year first above written.

REPUBLIC OF GUATEMALA

By



Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By



President

### 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 Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods under Part A.4 of the Project	1,600,000	100% of foreign expenditures and 90% of local expenditures
(2) Consultants' services:		
(a) under Part A.1 (a) (ii) of the Project	200,000 )	
(b) under Parts A.1 (a) (i), (b), (c), (d) and (e), A.3 and B.1, B.2 and B.3 of the Project	) 8,550,000 )	100%
(c) under Part B.4 of the Project	100,000)	
(3) Training under Parts A.5 and B.2 of the Project	1,500,000	100%
(4) Operating Costs	600,000	100% of foreign expenditures and 90% of local expenditures
(5) Procurement Fee	<u>450,000</u>	100%
TOTAL	<u>13,000,000</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;

(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;

(c) the term "Training" means expenditures (other than for consultants' services) incurred in connection with the provision of training activities under the Project, including travel cost and per-diem of the trainees;

(d) the term "Operating Costs" means expenditures incurred by the Executing Agency in connection with the carrying out of its functions under the Project, including inter alia, the acquisition and utilization of office supplies and the cost of office rent and utilities; and

(e) the term "Procurement Fee" means the fee to be paid to the Procurement Agent under the terms and conditions of the Procurement Agreement.

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

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$1,300,000 may be made in respect of Categories (1), (2) (b) and (3) of the table in paragraph 1 hereof on account of payments made for expenditures before that date but after January 13, 1997; and

(b) payments made for expenditures under Category (2) (a) of the table in paragraph 1 hereof for the financing of the preparatory activities to restructure INDE under Part A.1 (a) (ii) of the Project unless the Borrower has furnished to the Bank evidence, satisfactory to the Bank, which demonstrates that the legal framework required to carry out the restructuring of INDE is in full force and effect.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under: (a) contracts for goods costing less than \$150,000 equivalent each with the exception of the first two contracts to be awarded during Project implementation under Part C.1 of Section I of Schedule 4 to this Agreement; (b) contracts for consulting firms services costing less than \$100,000 equivalent each; (c) contracts for individual consultants services costing less than \$50,000 equivalent each; and (d) Training and Operating Costs as set forth in Categories

(3) and (4) of the table in paragraph 1 hereof, respectively, 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 to assist the Borrower in: (a) promoting private sector development; (b) developing a sound legal and regulatory framework in support of the objective mentioned in (a) herein; and (c) strengthening the Sectoral Ministries and Regulatory Agencies.

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: Sector-specific Assistance

1. Provision of legal, financial, engineering, environmental and economic technical assistance to the Borrower to foster private sector participation (through, inter alia, concessions and contracts) and, where applicable, to develop and implement the regulatory framework in: (a) the electric power sector including the: (i) carrying out of studies to determine the different possibilities for restructuring INDE; and (ii) assistance to prepare INDE for its restructuring; (b) the ports sector; (c) the postal sector; (d) the transport sector (with respect to roads); and (e) the telecommunications sector (other than the activity referred to in Part A.2 below).
2. Carrying out of preparatory activities for the sale of the assets of the telecommunications state-owned entity.
3. Carrying out of: (a) environmental assessments of the power sector and the port sector; and (b) environmental and social assessments of the transport sector (with respect to roads).
4. Acquisition and utilization of goods for the Regulatory Agencies.
5. Provision of training to the staff of the Regulatory Agencies and Sectoral Ministries in support of the private sector participation initiatives referred to in Part A.1 above.

#### Part B: Cross-sectoral Assistance

1. Provision of technical assistance to the Borrower to: (a) develop and carry out a public information campaign on the private sector participation initiatives in the sectors mentioned in Part A.1 above or in any other sector provided in B.2 below; and (b) design



and carry out promotional activities for the private sector participation initiatives mentioned in Part A.1 above.

2. Provision of technical assistance and training to the Borrower and its staff, respectively, to undertake preparation for private sector participation in areas, acceptable to the Bank, not included under Part A.1 above.
3. Strengthening of the operational capacity of the Executing Agency.
4. Strengthening of the Borrower's capacity to carry out audits under the Project.

\* \* \*

The Project is expected to be completed by December 31, 2000.

### SCHEDULE 3

#### Interest and Principal Repayment Provisions

A. General Definitions

For purposes of this Schedule, the following terms have the following meanings:

(a) "Disbursed Amount" means, in respect of each Interest Period, the aggregate principal amount of the Loan withdrawn from the Loan Account in such Interest Period.

(b) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment date to, but excluding, the next following Interest Payment Date.

(c) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(d) "Rate Fixing Date" means, for each Disbursed Amount, the first day of the Interest Period next following the Interest Period in which such Disbursed Amount is withdrawn.

B. Interest

1. The principal amount of the Loan shall be divided into Disbursed Amounts. Interest shall accrue on each Disbursed Amount outstanding from time to time at a rate based on a floating rate index prior to its Rate Fixing Date and at a fixed rate from its Rate Fixing Date, as described in paragraph 2 of this Part B.

2. (a) From the date of withdrawal of each amount of each Disbursed Amount withdrawn and outstanding, to but not including the Rate Fixing Date for such Disbursed Amount, interest on each such amount shall accrue, at a rate equal to the applicable:

(i) LIBOR Base Rate; plus

(ii) LIBOR Total Spread.

(b) From the Rate Fixing Date for each Disbursed Amount until final repayment thereof, interest on such Disbursed Amount shall accrue, at a rate equal to the applicable:

- (i) Fixed Base Rate; plus
- (ii) Fixed Total Spread.

3. For purposes of paragraph 2 of this Part B, the following terms have the following meanings:

(a) "LIBOR Base Rate" means, for the Interest Period in which a Disbursed Amount is withdrawn, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the day occurring on the Interest Payment Date preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(b) "LIBOR Total Spread" means, for the Interest Period in which each Disbursed Amount is withdrawn:

- (i) one half of one percent (1/2 of 1%);
- (ii) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include such Disbursed Amount for such Interest Period; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) "Fixed Base Rate" means, for each Disbursed Amount, the equivalent of the London interbank offered rate for six-month deposits in Dollars for value on the Rate Fixing Date for such Disbursed Amount, expressed as a single fixed interest rate based on the fixed interest rates corresponding to the repayment installments of such Disbursed Amount, as reasonably determined by the Bank and expressed as a percentage per annum.

(d) "Fixed Total Spread" means, for each Disbursed Amount:

- (i) one-half of one percent (1/2 of 1%);
- (ii) minus (or plus) the cost margin, applicable on the Rate Fixing Date for such Disbursed Amount, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or

portions thereof allocated to fund single currency loans or portions thereof made by it that include such Disbursed Amount; plus

- (iii) the Bank's risk spread applicable on the Rate Fixing Date for such Disbursed Amount; as reasonably determined by the Bank and expressed as a percentage per annum.

4. The Bank shall notify the Borrower of LIBOR Base Rate, LIBOR Total Spread, Fixed Base Rate and Fixed Total Spread applicable to each Disbursed Amount, promptly upon the determination thereof.

5. Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Schedule, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in this Schedule, the Bank may modify the basis for determining the interest rates applicable to amounts of the Loan not yet withdrawn upon not less than six months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

C. Repayment

1. Subject to the provisions of paragraph 2 of this Part C, the Borrower shall repay each Disbursed Amount of the Loan in semiannual installments payable on each May 15 and November 15, the first such installment to be payable on the seventh (7th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount and the last such installment to be payable on the eighteenth (18th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount. Each installment shall be one-twelfth (1/12) of such Disbursed Amount.

2. Notwithstanding the provisions of paragraph 1 of this Part C, if any installment of principal of each Disbursed Amount would, pursuant to the provisions of said paragraph 1, be payable after May, 15, 2012, the Borrower shall also pay on said date the aggregate amount of all such installments.

3. After each Disbursed Amount shall have been withdrawn, the Bank shall promptly notify the Borrower of the amortization schedule for such Disbursed Amount.

## 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 and revised in January and August 1996 (the Guidelines) and the following provisions of this Section, as applicable.

##### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.
2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$150,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

##### Part C: Other Procurement Procedures

##### 1. National Competitive Bidding

(a) Goods estimated to cost \$25,000 equivalent or more but less than \$150,000 equivalent per contract up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Procurement of all goods under Part C.1 (a) above, shall be carried out using standard bidding documents acceptable to the Bank.

2. International and National Shopping

Goods estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations 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 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: (a) each contract for goods to be awarded under Part B of this Section; and (b) the first two contracts for goods to be awarded under Part C.1 of this Section, the procedures set forth in paragraphs 2 and 3 of 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

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Quality-based Selection

Services for assisting the Borrower under Parts A.1, A.3 and B of the Project, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for assisting the Borrower under Parts A.1, A.3 and B of the Project which are estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount equivalent to \$1,500,000, may with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Single Source Selection

Procurement agency services to be provided under the Project pursuant to the Procurement Agreement may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services for assisting the Borrower under Parts A.1, A.3, B.1, B.2 and B.3 of the Project, up to an aggregate amount equivalent to \$1,500,000, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Prior Review

(a) With respect to: (i) each contract to be awarded under Parts B and C.1 of this Section estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$600,000; and (ii) each contract to be awarded under Part C.4 of this Section estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract to be awarded under Parts B and C.1 of this Section estimated to cost the equivalent of \$600,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to: (i) each contract to be awarded under Part C.2 of this Section; and (ii) each contract to be awarded under Part C.4 of this Section estimated to cost less than \$50,000 equivalent, the Bank shall review and approve the terms of reference for each such contracts prior to the award of each such contract.

(d) With respect to the contract to be awarded under Part C.3 of this Section, the Bank shall review and approve the terms of reference, the request for proposal, the technical and financial proposals and the final draft of the contract prior to the award of such contract.

2. Post Review

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