
LOAN NUMBER 4269-GU

Loan Agreement

(Integrated Financial Management - II Technical Assistance Project)

between

REPUBLIC OF GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated

September 11, 1998

LOAN NUMBER 4269-GU

LOAN AGREEMENT

AGREEMENT, dated *September 11*, 1997, 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 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) “*Acuerdo Gubernativo*” means the Presidential Accord No. 217-95 dated May 17, 1995 of the Borrower which, inter alia, established the Executive Committee;

(b) “Administrative Arrangement” means the contractual arrangement dated April 6, 1995 entered into between MOF and the Comptroller’s Office which stipulates, inter alia, the terms under which MOF and the Comptroller’s Office have agreed to cooperate in the carrying out of the SIAF and SAG under IFM-I, as such arrangement will be amended as provided in Section 6.01 (a) of this Agreement;

(c) “BOG” means the Borrower’s Central Bank (*Banco de Guatemala*);

(d) “Comptroller’s Office” means the Office of the Borrower’s Comptroller General (*Contraloría General de Cuentas*) established pursuant to the provisions of Chapter III of Title V of the Borrower’s Constitution;

(e) “Comptroller’s Office *Acuerdo*” means the *Acuerdo* No. A-10/95 issued by the Comptroller’s Office on April 6, 1995 establishing the terms of reference for SAG;

(f) "Decree No. 101-97" means *Decreto* No. 101-97 of the Borrower dated October 16, 1997 duly published on the official gazette on November 20, 1997 which established, inter alia, the procedures for the preparation and implementation of the Borrower's budget;

(g) "Executive Committee" means the committee established by the *Acuerdo Gubernativo*;

(h) "IFM-I" means the Integrated Financial Management Project financed in part with the proceeds of Loan No. 3895-GU as provided in the Loan Agreement entered into between the Borrower and the Bank on January 22, 1996, as amended;

(i) "Implementation Letter" means the letter from the Borrower to the Bank of even date herewith setting forth: (i) a list of non-financial public sector institutions to benefit from the Project; (ii) the objectives, principles and characteristics of the legal framework referred to in paragraph 3 (b) (i) of Schedule 1 to this Agreement; (iii) the Project's performance indicators and targets; and (iv) the scope of the mid-term review referred to in Section 3.07 (b) of this Agreement, as such letter may be amended from time to time with the agreement of the Bank;

(j) "INFOM" means the Municipal Development Institute (*Instituto de Fomento Municipal*) of the Borrower established pursuant to the Borrower's Decree No. 1132;

(k) "MOF" means the Borrower's Ministry of Public Finance (*Ministerio de Finanzas Públicas*);

(l) "SAG" means the Borrower's Government Auditing System (*Sistema de Auditoría Gubernamental*), a system to improve the efficiency, accountability and transparency of the financial control of the Borrower's public sector;

(m) "SIAF" means the Borrower's Integrated Financial Management System (*Sistema Integrado de Administración Financiera*), a system to improve the efficiency, accountability and transparency of the financial management of the Borrower's public sector;

(n) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(o) "UDAI" means the internal audit unit to be established in each of the non-financial public sector institutions referred to in Part A.2 (a) of the Project;

(p) "UDAF" means the financial management unit to be established in each of the non-financial public sector institutions referred to in Part A.2 (a) of the Project;

(q) "UNDP" means the United Nations Development Programme; and

(r) "UNDP Agreement" means the agreement entered into between MOF and the Comptroller's Office on behalf of the Borrower and UNDP dated March 4, 1996 whereby UNDP is acting as the Borrower's agent for the procurement of goods and services under IFM-I, as such agreement will be amended as provided in Section 6.01 (c) of this Agreement in order to enable UNDP to continue acting in the same capacity under 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 equal to fifteen million seven hundred thousand Dollars (\$15,700,000).

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) The Borrower may, for the purposes of the Project, open and maintain in Dollars a separate special deposit account in BOG on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2002 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. (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 LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) "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.
- (ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.
- (iii) "LIBOR Base Rate" means, for each Interest Period, 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 Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) "LIBOR Total Spread" means, for each Interest Period: (A) one half of one percent (1/2 of 1%); (B) 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 the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, 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 said Section, the Bank may modify the basis for determining the interest rates applicable to

the Loan upon not less than six months' notice to the Borrower of the new basis. The 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.

Section 2.06. Interest and other charges shall be payable January 15 and July 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. 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 Executive Committee (in accordance with the *Acuerdo Gubernativo* and the Administrative Arrangement), with due diligence and efficiency and in conformity with appropriate administrative, financial management and technical 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 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. 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 carry out the Project taking into the account the performance indicators and targets set forth in Annex D to the Implementation Letter.

Section 3.05. Without limitation to the provisions of Section 9.07 of the General Conditions, the Borrower shall not later than thirty days after the conclusion of each calendar semester during the implementation of the Project, starting in 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 by the Borrower in the carrying out of the Project during the calendar semester preceding the date of presentation of such report.

Section 3.06. The Borrower shall: (a) not later than December 31 of each year of Project implementation prepare and furnish to the Bank a plan (including a timetable), satisfactory to the Bank, with respect to the activities to be carried out under the Project during the calendar year following the date of presentation of such plan; and (b) thereafter carry out such plan in accordance with its terms.

Section 3.07. (a) Without limitation to the provisions of Section 9.01 of the General Conditions, the Borrower shall not later than March 31 of each year of Project implementation, starting in 1999, review jointly with the Bank the progress made by the Borrower in: (i) carrying out the Project; and (ii) achieving the objectives of the Project, based on the indicators and the corresponding reports referred to in Sections 3.04 and 3.05 of this Agreement, respectively. 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. In such event, the Borrower shall not later than forty five days after the conclusion of each such review furnish such action plan to the Bank and shall thereafter carry out, or cause to be carried out, such action plan in accordance with its terms.

(b) As part of the annual review to be held not later than March 31, 2000, the Borrower shall carry out with the Bank a Project implementation mid-term review of such scope as set forth in Annex E to the Implementation Letter.

Section 3.08. Except as the Bank shall otherwise agree, the Borrower shall not amend, assign, abrogate, terminate, waive or fail to enforce the UNDP 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 its operations, resources and expenditures in respect of the Project.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year, 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:

(a) That the Comptroller's Office shall have failed to perform any of its obligations under the Administrative Arrangement.

(b) That the *Acuerdo Gubernativo* and/or the Comptroller's Office *Acuerdo* shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner so as to affect, in the opinion of the Bank, the ability of the Borrower to carry out the Project.

(c) That Decree No. 101-97 or any provision thereof shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner so as to affect, in the opinion of the Bank, the ability of the Borrower to achieve the objectives of the Project.

(d) That the legal framework referred to in paragraph 3 (b) (i) of Schedule 1 to this Agreement shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner so as to affect, in the opinion of the Bank, the ability of the Borrower to carry out Part B of the Project.

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

(a) That any of the events specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

(b) That any of the events specified in paragraphs (b) or (c) or (d) of 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) That the Administrative Arrangement has been amended in form and substance satisfactory to the Bank to enable the Borrower to carry out the Project.

(b) That the Borrower has furnished to the Bank the plan for 1998 referred to in Section 3.06 (a) of this Agreement.

(c) That the UNDP Agreement has been amended in form and substance satisfactory to the Bank for the purpose indicated in Section 1.02 (r) of this Agreement.

Section 6.02. The date December 10, 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:

MINFIP
Guatemala, 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:

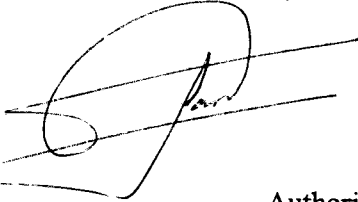
INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

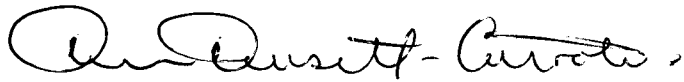
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in *The District of Columbia, United States of America* as of the day and year first above written.

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>	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Goods	6,000,000	100% of foreign expenditures and 90% of local expenditures
(2) Consultants' services		
(a) under the Project other than under Part B (d) through (f) of the Project	5,800,000)))	100%
(b) under Part B (d) through (f) of the Project	1,000,000)	
(3) Training	600,000	100%
(4) Operating Costs	900,000	100% until withdrawals under this Category have reached an aggregate amount of 325,000; 85% until withdrawals under this Category have reached an aggregate amount of \$650,000; and 70% thereafter.
(5) Unallocated	<u>1,400,000</u>	
TOTAL	<u><u>15,700,000</u></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 by the Borrower in the carrying out of the training activities under the Project, including the travel and per-diem of the trainees; and

(d) the term "Operating Costs" means expenditures incurred by the Executive Committee and its support staff in connection with the carrying out of its functions and responsibilities as provided in the *Acuerdo Gubernativo*, including office furniture, office supply, office rent and the salaries for such support staff.

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 the amount of \$1,500,000, may be made in respect of Categories (1), (2) (a), (3) and (4) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but not before twelve months from the date of this Agreement; and

(b) payments made for expenditures under Category (2) (b) set forth in the table in paragraph 1 of this Schedule for the financing of the activities under Part B (d) through (f) of the Project, unless: (i) a legal framework has been established (substantially in accordance with the objectives, principles and characteristics set forth in Annex C to the Implementation Letter) concerning the institutional structure of the Comptroller's Office; (ii) the Comptroller's Office has ratified the Administrative Arrangement in form and substance satisfactory to the Bank; and (iii) the Comptroller's Office counsel has prepared and furnished to the Bank an opinion, satisfactory to the Bank, with respect to the validity of the ratification mentioned in (ii) herein.

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 with the exception of the first two contracts for goods to be

awarded under Part C.1 (a) of Section I of Schedule for 4 to this Agreement; (b) contracts for the employment of consulting firms costing less than \$200,000 equivalent; (c) contracts for the employment of individual consultants costing less than \$50,000 equivalent; and (d) Training and Operating Costs set forth in Categories (3) and (4) of the table in paragraph 1 of this Schedule, 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: (a) to continue improving the efficiency, accountability and transparency of the financial management and control functions of the Borrower's public sector through the implementation of the SIAF and SAG; (b) to continue improving the delivery of public services by supporting the deconcentration of the non-financial public sector institutions (listed in Annex A to the Implementation Letter) of the primary responsibility for management of their corresponding financial resources; (c) to improve the allocation and execution of public investment; and (d) to establish appropriate mechanisms of internal control in public sector spending to avoid corruption.

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: Integrated Financial Management Reform

1. Improvement of the methodologies in the areas described below to implement the financial management subsystems (designed and being implemented under Part A of the IFM-I) in the non-financial public sector institutions, through the provision of technical assistance and training and the acquisition and utilization of goods, and thereafter implementation of such subsystems in such institutions:

(a) Budgeting: (i) testing and improvement of the new budgeting-by results methodology; (ii) assisting the Borrower in the preparation and execution of its annual budgets for the years 1999, 2000 and 2001; and (iii) design of additional indicators to monitor the Borrower's performance during the execution of its annual budgets;

(b) Accounting: preparation of accounting manuals for the non-financial public sector institutions listed in Annex B to the Implementation Letter;

(c) Cash Management: (i) improvement of the single bank account mechanism to manage the flow of funds resulting from the execution of the Borrower's annual budgets; (ii) improvement of the methodology which determines the payment quotas to the public sector during the execution of the Borrowers' annual budgets; (iii) design and implementation of a direct communication system to be adopted by MOF, BOG and the banking sector in order to enable MOF and BOG to obtain information

concerning the amount of public revenues collected by the banking sector on behalf of the Borrower; and (iv) expansion of the scope of the electronic funds transfer methodology used by the public sector institutions to pay their financial obligations; and

(d) Procurement: (i) design and implementation of a procurement system to be applied by the Borrower's public sector; and (ii) design and implementation of a system to manage the Borrower's fixed assets and storage facilities.

2. (a) Deconcentration of the Borrower's financial management responsibility and transfer of such responsibility to the non-financial public sector institutions (listed in Annex A to the Implementation Letter) to manage their corresponding financial resources; and (b) establishment of UDAFs and UDAs in each public sector institution referred to in (a) herein, including the provision of training to the personnel in such units.

3. Adoption of the Borrower's computer-based subsystems (designed and being implemented under Part B of the IFM-I) by the non-financial public sector institutions listed in Annex A to the Implementation Letter.

4. Carrying out of a campaign to inform the public concerning the integrated financial management and control reform being carried under IMF-I and under the Project.

5. Strengthening of the institutional capacity of INFOM to provide services to the Borrower's municipalities with respect to integrated financial management through the provision of technical assistance and training.

Part B: Strengthening of the Comptroller's Office

Strengthening of the organizational structure and operational capacity of the Comptroller's Office, through, inter alia: (a) the design and implementation of national external audit plans; (b) the design and implementation of an audit information technology system; (c) the provision of training to its professional personnel on external auditing activities; (d) the preparation of operational manuals based on its organizational structure; (e) the design and implementation of a human resources system; (f) the promotion of outsourcing of selected audit activities; and (g) the provision of training to its personnel on its organizational structure.

Part C: Public Investment

1. Design and implementation of a public investment information system.

2. Design and implementation of uniform methodologies and criteria (including, inter alia, environmental and social criteria) for public investment project identification, design, supervision, evaluation and post-assessment.
3. Design of guidelines for public investment project management.
4. Redefinition of the public investment mandate of the Borrower's public sector institutions, including the provision of training to the personnel of each such institution.
5. Design of guidelines for the preparation of annual and multi-annual public investment plans.
6. Carrying out of a consultation process with, inter alia, the local governments and communities during the preparation and implementation of the annual and multi-annual public investment plans.

Part D: Public Debt Management

1. Design and implementation of a methodology to calculate the fees to be paid by the Borrower to BOG for the services provided by the latter to the Borrower.
2. (a) Design and implementation of an organizational structure within MOF for public debt management; and (b) provision of training to the personnel of MOF assigned to perform services within the new structure mentioned in (a) herein.
3. Design and implementation of a public debt management information system.

Part E: Project Coordination

Strengthening of the operational capacity of the Executive Committee through the provision of technical assistance and the acquisition and utilization of goods required therefor.

* * *

The Project is expected to be completed by March 31, 2002.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in Dollars)*</u>
July 15, 2003	330,000
January 15, 2004	340,000
July 15, 2004	350,000
January 15, 2005	360,000
July 15, 2005	370,000
January 15, 2006	380,000
July 15, 2006	395,000
January 15, 2007	405,000
July 15, 2007	415,000
January 15, 2008	430,000
July 15, 2008	445,000
January 15, 2009	455,000
July 15, 2009	470,000
January 15, 2010	485,000
July 15, 2010	500,000
January 15, 2011	515,000
July 15, 2011	530,000
January 15, 2012	545,000
July 15, 2012	560,000
January 15, 2013	580,000
July 15, 2013	595,000
January 15, 2014	615,000
July 15, 2014	635,000
January 15, 2015	650,000
July 15, 2015	670,000
January 15, 2016	695,000
July 15, 2016	715,000
January 15, 2017	735,000
July 15, 2017	760,000
January 15, 2018	770,000

* The figures in this column represent Dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

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 Section I of this Schedule.

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 \$1,000,000

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 this Part C.1 shall be carried out using standard bidding documents acceptable to the Bank.

2. International or National Shopping

Goods estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 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.1 of this Section; and (b) the first two contracts to be awarded under Part C.1 (a) 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

Individual Consultants

Services for activities to be carried out under the Project costing in the aggregate not more than \$5,400,000 equivalent, may 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 the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 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.

(b) With respect to each contract for the employment of consulting firms estimated to cost less than the equivalent of \$200,000, the terms of reference for the assignment shall be furnished to the Bank for its review and approval. The contract shall be awarded only after the said approval shall have been given.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(d) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of less than \$50,000, the terms of reference of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of the Project;
 - (b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term "Authorized Allocation" means the amount of \$1,100,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of \$300,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the amount of \$2,400,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
 - (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

- (a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

- (b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

- (c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

- (d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories for the Special Account for the Project, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of

the remaining unwithdrawn amount of the Loan allocated to the eligible Categories for the Project shall follow such procedures, as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.