

Public Disclosure Authorized

**CONFORMED COPY**

**LOAN NUMBER 7371-DO**

# **Loan Agreement**

**(Youth Development Project)**

**between**

**DOMINICAN REPUBLIC**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated July 6, 2006**

Public Disclosure Authorized

## **LOAN AGREEMENT**

Agreement dated July 6, 2006, between the DOMINICAN REPUBLIC (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

### **ARTICLE I—GENERAL CONDITIONS; DEFINITIONS**

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in the Loan Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

### **ARTICLE II—LOAN**

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of twenty five million Dollars (\$25,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Commitment Charge payable by the Borrower shall be equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which the Commitment Charge commences to accrue in accordance with the provisions of Section 3.01 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter; subject in either case to any waiver of a portion of such charge as may be determined by the Bank from time to time.

2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions.

2.06. The Payment Dates are April 15 and October 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

### **ARTICLE III—PROJECT**

3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower, through SET (with respect to Parts 1 and 2 of the Project) and SEE (with respect to Part 3 of the Project), and with the assistance of INFOTEP, shall carry out the Project in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV—REMEDIES OF THE BANK**

4.01. The Additional Event of Suspension consists of the following, namely that INFOTEP shall have failed to perform any of their respective obligations under the INFOTEP Implementation Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.

**ARTICLE V—EFFECTIVENESS**

5.01. The Additional Conditions of Effectiveness consist of the following:

- (a) SET and SEE have executed the Implementation Agreement; and
- (b) SET and INFOTEP have executed the INFOTEP Implementation Agreement.

5.02. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Association's approval of the Credit which expire on September 24, 2007.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Borrower's Representative is the *Secretario Técnico de la Presidencia*.

6.02. The Borrower's Address is:

Palacio Nacional  
Avenida México  
Santo Domingo, República Dominicana

Facsimile:

(809) 695-8432

6.03. The Bank's Address is:

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)

Facsimile:

1-202-477-6391

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

DOMINICAN REPUBLIC

By /s/ Vicente Bengoa  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Pamela Cox  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve the employability of the Borrower's poor at-risk youth population through: (i) building their work experience and life skills; and (ii) expanding the second chance education programs to complete their formal education.

The Project consists of the following parts:

**Part 1: Consolidating and Expanding the PJE to Provide Increased Access to a First Work Experience for Youth at Risk**

Implementation of the PJE to offer integral training opportunities for better market insertion to disadvantaged youth in the Borrower's rural and urban areas through the contracting of ICAPs to provide vocational training, internships and life skills education.

**Part 2: Strengthening the Institutional Capacity of SET and INFOTEP to Focus More Effectively on Youth at Risk**

Provision of technical assistance, equipment, training and operational cost financing to SET and INFOTEP to strengthen their capacity to reach disadvantaged out-of-school youth, through the improvement of coordination, implementation and evaluation of their programs, including:

- (a) the gradual transition of the implementation of PJE from SET to INFOTEP; and
- (b) strengthening of SET's capacity to: (i) evaluate ICAPs' performance; (ii) linking the targeting of PJE's beneficiaries to the SIUBEN; (iii) integrate the PJE with the Borrower's national labor intermediation system; and (iv) monitor and evaluate the Project, including the carrying out of the impact evaluation and related studies.

**Part 3: Strengthening and Expanding Second Chance Education Programs**

Strengthening the Borrower's primary and secondary equivalency education programs through: (a) the conversion of EBA into a semi-residential accelerated program; (b) the expansion of PREPARA to new centers and incorporation of life skills as a cross-cutting subject; and (c) the strengthening of SEE's and DGEA's capacity to deliver the EBA and PREPARA second chance programs, including the carrying out of coordination activities with SET and the monitoring and evaluation of program implementation.

## SCHEDULE 2

### Project Execution

#### Section I. Institutional Arrangements

##### A. Implementation Agreements.

1. To facilitate the carrying out of the Project, the Borrower shall cause SET and SEE to enter into an agreement (the Implementation Agreement), under terms and conditions approved by the Bank, including those set forth in the EBA/PREPARA Operational Manual and the PJE Operational Manual, to reflect SET's and SEE's respective obligations under the Project.

2. Without limitation to the provisions of paragraph 1 above, the Borrower, through SET, shall enter into an agreement with INFOTEP (the INFOTEP Implementation Agreement), under terms and conditions approved by the Bank, including those set forth in the PJE Operational Manual and INFOTEP's obligation to assist SET in the implementation of the PJE, including, *inter alia*, pre-selection of training institutions, technical evaluation of proposals, the supervision of training and internships, and the contracting of 400 training courses for youth at risk using the PJE Operational Manual and co-financing them in incremental shares.

3. The Borrower, through SET and SEE, shall exercise its rights under the Implementation Agreement and the INFOTEP Implementation Agreement, in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive or failed to enforce the Implementation Agreement and the INFOTEP Implementation Agreement, or any provisions thereof.

##### B. Institutional Arrangements

1. At all times during the execution of the Project, the Borrower, through SET and SEE, shall, and shall cause INFOTEP to, each maintain within itself a unit responsible for its portion of Project implementation, with staffing, functions and responsibilities satisfactory to the Bank, including the following responsibilities:

(a) overall planning, coordination and monitoring of such Project portion activities;  
and

(b) the updating of the Procurement Plan, the preparation of consolidated financial reports and the contracting of external audits as relate to such portions.

2. Any changes to: (a) the procurement and financial management staff in the units referred to in paragraph 1 above; and (b) the management staff in SET's unit referred to in paragraph 1 above, shall require the Bank's prior no-objection.

3. The Borrower shall establish by not later than three months after the Effective Date, and maintain during the execution of the Project an inter-agency coordinating committee to oversee Project implementation, which committee shall be chaired by ONAPLAN and comprised by

representatives of SEE, SET, the Borrower's *Gabinete Social*, the Borrower's Secretary of Finance, INFOTEP, and the Borrower's Secretary of Youth.

C. Manuals

1. (a) The Borrower, through SET, shall carry out Parts 1 and 2 of the Project in accordance with the terms of a manual satisfactory to the Bank (the PJE Operational Manual); and (b) the Borrower, through SEE, shall carry out Part 3 of the Project in accordance with the terms of a manual satisfactory to the Bank (the EBA/PREPARA Operational Manual). Except as the Bank shall otherwise agree, the Borrower shall not amend, waive or fail to enforce the EBA/PREPARA Operational Manual and the PJE Operational Manual, or any provision thereof. In case of any conflict between the terms of this Agreement and those of the EBA/PREPARA Operational Manual and/or the PJE Operational Manual, the terms of this Agreement shall prevail.

2. The EBA/PREPARA Operational Manual and the PJE Operational Manual shall each include provisions detailing procedures and guidelines for the carrying out of the Project, including, *inter alia*:

(a) the procedures for the preparation, review and approval of reports pursuant to the Project's financial management arrangements;

(b) procurement and contracting procedures consistent with Schedule 2 to this Agreement, to be applicable to the contracts for the works, goods, consultants' services and services (other than consultants' services) required for the Project and to be financed out of the proceeds of the Loan;

(c) the respective responsibilities and functions of SET, SEE and INFOTEP in the implementation of the Project;

(d) Project performance indicators and the procedures for the monitoring and evaluation of the Project, including the provisions of Section II of Schedule 2 to this Agreement; and

(e) the procedures for the Borrower's review and approval of Loan proceeds withdrawal applications to the Bank, in conformity with the instructions that the Bank may give to the Borrower in this respect.

3. The EBA/PREPARA Operational Manual and the PJE Operational Manual shall be reviewed annually by SEE, SET and INFOTEP.

Section II. Project Monitoring, Reporting, Evaluation.

A. Project Reports.

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the

basis of the indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

2. The Borrower shall carry out an in-depth review (the Mid-Term Review) jointly with the Bank by March 31, 2009, or such later date as the Bank shall agree, on the progress achieved in the implementation of the Project, including the evaluation of the targeting mechanism to select the beneficiaries of the Learning Courses referred to in Part 1 of the Project.

3. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than three months after the Closing Date.

4. The Borrower shall submit, throughout Project implementation, to the Bank an annual operational audit of the Project, which audit should be carried out by a firm contracted with terms of reference satisfactory to the Bank. The first audit should be submitted to the Bank not later than six months after the first year of Project implementation.

B. Financial Management, Financial Reports and Audits.

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report, interim un-audited financial reports for the Project covering the calendar semester, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General.

1. Goods and Works. All goods, works and non-consultant services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Schedule.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Works, Goods and Non-consultant Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and non-consultant services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.

2. Other Methods of Procurement of Works and Goods. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for works, goods and non-consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) Quality-Based Selection
(b) Selection under a Fixed Budget
(c) Least-Cost Selection
(d) Selection Based on Consultant's Qualifications
(e) Single Source Selection
(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the selection of Individual Consultants
(g) Sole Source Procedures for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General.

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank shall specify by notice to the Borrower to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed
(1) Learning Courses	16,920,000	100%
(2) Consultants’ services, works, goods, operational costs, and training for Parts 1 and 2 of the Project (other than as covered by Category (1) above)	3,017,500	100%
(3) Consultants’ services, works, non-consultants’ services, training, and goods for Part 3 of the Project	5,000,000	100%
(4) Front-end Fee	62,500	Amount payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(5) Premia for Interest Rate Caps and Collars	0	Amount due under Section 2.08 (c)
TOTAL AMOUNT:	25,000,000 =====	

For the purposes of this Schedule, the terms:

(a) “Learning Courses” means the expenditures for the training courses referred to in Part 1 of the Project, contracted by SET and/or INFOTEP for disadvantaged youth which include vocational training, internships and life skills education;

(b) “Non-Consultants’ Services” means the services that do not require intellectual capacity, including, *inter alia*, the printing of materials and communication services (e.g. radio spots);

(c) “Training” means reasonable expenditures incurred by the Borrower for the carrying out of training activities under the Project, including reasonable costs of travel and per diem of trainers and trainees, rental of training facilities and equipment, refreshments and training materials;

(d) “Operational Costs” means the reasonable expenses incurred by INFOTEP for the technical evaluation and supervision of the Learning Courses referred to in Part 1 of the Project, including, *inter alia*, the reasonable costs for evaluating technical proposals, the carrying out of regular supervision of training courses and internships, and per diems for supervisors.

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$500,000 equivalent may be made for payments made prior to this date but on or after December 21, 2005, for Eligible Expenditures.

2. The Closing Date is June 30, 2011.

### SCHEDULE 3

#### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each April 15 and October 15 Beginning April 15, 2011 through April 15, 2022	4.17%
On October 15, 2022	4.09%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

## APPENDIX

### Section I. Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 4 to this Agreement;
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004;
3. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005;
4. “DGEA” means *Dirección General de Educación para Adultos*, SEE’s (as defined below) department for adult education;
5. “EBA” means *Educación Básica de Adultos*, the Borrower’s basic education program for adults;
6. “EBA/PREPARA Operational Manual” means the manual referred to in Section I. C. 1 (a) of Schedule 2 to this Agreement;
7. “ICAPs” means the private and sub-national public sector institutions which are registered under the Borrower’s laws which will be selected in accordance with the criteria set forth in the Operational Manual to provide training activities under Part 1 of the Project;
8. “INFOTEP” means *Instituto Nacional de Formación Técnico Profesional*, the Borrower’s national institute for professional technical training, created pursuant the Borrower’s Law No. 116 dated January 16, 1980 and published in the Borrower’s Official Gazette No. 95-22, dated January 20, 1980;
9. “INFOTEP Implementation Agreement” means the agreement between SET and INFOTEP referred to in Section I. A. (2) of Schedule 2 to this Agreement, as the same may be amended from time to time with the approval of the Bank;
10. “Operational Manual” means the manual referred to in Section I.C.1 of Schedule 2 to this Agreement;
11. “PJE” means *Programa Juventud y Empleo*, the Borrower’s youth employment program within set (as defined below);
12. “PJE Operational Manual” means the manual referred to in Section I. C. 1 (b) of Schedule 2 to this Agreement;
13. “PREPARA” means the Borrower’s program of secondary education for adults;
14. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004;

15. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 14, 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs;

16. “SEE” means *Secretaría de Educación*, the Borrower’s Secretary of Education;

17. “SEE Implementation Agreement” means the agreement between SET and SEE referred to in Section I. A. (1) of Schedule 2 to this Agreement, as the same may be amended from time to time with the approval of the Bank;

18. “SET” means *Secretaría de Trabajo*, the Borrower’s Secretary of Labor; and

19. “SIUBEN” means *Sistema Unico de Beneficiarios*, the Borrower’s beneficiary targeting system, created pursuant Presidential Decree No. 107-04, dated August 31, 2004.