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CONFORMED COPY

CREDIT NUMBER 3096-BO

Development Credit Agreement

(Education Quality and Equity Strengthening Project)

between

REPUBLIC OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 20, 1998

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 20, 1998 between REPUBLIC OF BOLIVIA (the Borrower) and

INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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 Association to assist in the financing of the Project;

(B)

the Borrower's Law No. 1551 of April 20, 1994 (the Popular Participation Law) sets forth the scope and the agents of the popular participation process, the jurisdiction of the Borrower's municipal governments and the transfer to such governments of the physical infrastructure for public education services;

(C)

the Borrower's Law No. 1565 of July 4, 1994 (the Educational Reform Law) establishes the basis and goals of the Borrower's education policy, and the objectives and the structure of the Borrower's national education system; and

(D)

the Borrower's Law No. 1654 of July 28, 1995 (the Administrative Decentralization Law) provides for the administrative decentralization of the Borrower's Executive Branch at the departmental level through the delegation of technical-administrative powers to the Borrower's departmental prefectures; WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit 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

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Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as amended through December 2, 1997, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a)

A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12.

'Participating Country means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries."

(b)

The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in,

or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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)

"Annual Operating Plan" means any of the plans referred to in Section 3.05 (a) of this Agreement, as approved by the Association;

(b)

"DDiE" means any of the Borrower's district directorates of education (Dirección Distrital de Educación);

(c)

"Educational Subproject" means a specific subproject consisting of an integrated set of investments (which may include operating costs of FIS as provided in the Operational Manual (as hereinafter defined) and to be exclusively financed with local counterpart funds) for the improvement and expansion of infrastructure and equipment resources and/or the improvement of the quality of the process of teaching-learning in a selected School Nucleus and included in a PDEM (as hereinafter defined); such specific subproject to be selected and approved on the basis of criteria and procedures set forth in the Operational Manual (as hereinafter defined);

(d)

"FIS" means the Borrower's Social Investment Fund (Fondo de Inversión Social), established by the Borrower's Supreme Decree No. 22407 of January 11, 1990, as amended by the Borrower's Supreme Decree No. 22452 of March 8, 1990;

(e)

"FIS Eligible Investments" means a set of approximately two hundred and sixty (260) ongoing school construction and/or rehabilitation subprojects carried out or to be carried out by FIS, which subprojects have been approved by the Bank for financing under the Project;

(f)

"FIS Manuals" means the Evaluation Manual, the Operations Manual and the Supervision Manual as such terms are defined in the development credit agreement, dated December 8, 1993, between the Borrower and the Association and as such manuals have been modified from time to time in agreement between FIS and the Association;

(g)

"Fiscal Year" means the Borrower's fiscal year, which commences on January 1 and ends on December 31 of each calendar year;

(h)

"GM" means any municipal government (Gobierno Municipal) in the territory of the Borrower;

(i)

"Local School Board" means an organization composed of the representatives of School Boards (as hereinafter defined) within a School Nucleus (as hereinafter defined);

(j)

"MECD" means the Borrower's Ministry of Education, Culture and Sports (Ministerio de Educación, Cultura y Deportes);

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(k)

"MH" means the Borrower's Ministry of Finance (Ministerio de Hacienda);

(l)

"Operational Manual" means the manual of rules and procedures, satisfactory to the Association, for the implementation of Parts A, B, and D of the Project and to be adopted by MECD and FIS pursuant to paragraph 3 (c) of Schedule 1 to this Agreement;

(m)

"Participating GM" means any GM that enters into a Participation Agreement (as hereinafter defined);

(n)

"Participation Agreement" means any of the agreements referred to in Section 3.01 (e) or (f) of this Agreement;

(o)

"PDEM" means any municipal educational development program (Programa de Desarrollo Educativo Municipal);

(p)

"Pedagogical Advisors" means the pedagogical advisors (asesores pedagógicos) referred to in article 42 of the Education Reform Law with the functions and responsibilities described in said article;

(q)

"Performance Indicators" means the indicators to monitor the progress of the Project and the achievement of its objectives, set forth in the letter from the Borrower to the Association of even date herewith (Supplemental Letter);

(r)

"Project Preparation Advance" means the Project preparation advance granted by the Association to the Borrower pursuant to the letter from the Association dated August 13, 1996 countersigned by the Borrower on September 4, 1996;

(s)

"School Board" means the organization described in article 6 of the Education Reform Law, with the functions and responsibilities set forth in article 5 of said Law;

(t)

"School Nucleus" means the school nucleus defined in Article 31 of the Educational Reform Law;

(u)

"Special Account" means collectively Special Accounts A and B (as hereinafter defined);

(v)

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

(w)

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

(x)

"Subsidiary Agreement" means the agreement referred to in Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Subsidiary Agreement; and

(y)

"VEIPS" means the Borrower's Vice Ministry of initial, primary and secondary education (Viceministerio de Educación Inicial, Primaria y Secundaria).

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to fifty five million seven hundred thousand Special Drawing Rights (SDR55,700,000)

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

expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b)

The Borrower may, for the purposes of each of: (i) categories (1), (2), (3) (a) and (6) in the table of paragraph 1 of Schedule 1 to this Agreement in respect of Parts A and C of the Project; and (ii) categories (2) (b), (3) (b), (3) (c), (3) (d), (4) and (5) in the table of paragraph 1 of Schedule 1 to this Agreement in Page 4

respect of Parts B, D and E of the Project, open and maintain in Dollars, in the Borrower's central bank or a commercial bank, a separate special deposit account on terms and conditions satisfactory to the Association including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c)

Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 31, 2003 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b)

The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the Accrual Date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the Accrual Date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c)

The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

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

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15 commencing August 15, 2008 and ending February 15, 2038. Each installment to and including the installment payable on February 15, 2018 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b)

Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c)

If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and

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outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d)

If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall:

(i)

carry out, through MECD, Parts B, D and E of the Project with due diligence and efficiency and in conformity with appropriate technical, financial, environmental and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project;

(ii)

cause FIS, under the Subsidiary Agreement, to carry out Parts A, in coordination with MECD, and C of the Project with due diligence and efficiency and in conformity with appropriate technical, financial, environmental and administrative practices; and

(iii)

take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable FIS to carry out Parts A and C of the Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of such Parts of the Project by FIS.

(b)

(i)

Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out, and cause FIS to carry out, the Project in accordance with the Operational Manual and the applicable Annual Operating Plan.

(ii)

Except as the Association shall otherwise agree, the Borrower shall not, and shall cause FIS not to, amend, abrogate or waive the Operational Manual, or any provision thereof.

(c)

The Borrower shall, through MH and MECD, enter into a subsidiary agreement with FIS to make the corresponding proceeds of the Credit available to FIS and to provide for the responsibilities of FIS with regard to the implementation of Parts A and C of the Project, all under terms and conditions which shall have been approved by the Association.

(d)

The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any provision thereof.

(e)

For the purpose of carrying out Part A of the Project, the Borrower shall, jointly with FIS, enter into participation agreements with any interested GM which:

(i)

submitted a PDEM in accordance with the provisions of the Educational Reform Law and the Operational Manual; and

(ii)

has been selected under the competitive process set forth in the Operational Manual;

such agreements to be entered into in accordance with the provisions of Schedule 5 to Page 6

this Agreement.

(f)

For the purpose of carrying out Part C of the Project, the Borrower shall cause FIS to enter into participation agreements with the respective GMs, such agreements to be entered into in accordance with the provisions of Schedule 5 to this Agreement.

(g)

The Borrower shall cause FIS to undertake that, unless the Association shall otherwise agree, FIS Eligible Investments shall be promoted, identified, appraised, approved, carried out and monitored in accordance with the procedures set forth or referred to in the FIS Manuals. Except as otherwise agreed with the Association, the Borrower shall cause FIS not to abrogate, amend or waive the FIS Manuals or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Borrower shall maintain within VEIPS, at all times until completion of the Project, adequate staff for the implementation, coordination, evaluation and supervision of the Project, all with functions, qualifications, experience, and under terms of reference, satisfactory to the Association.

(b)

The Borrower shall ensure that the departmental and municipal evaluation committees established pursuant to paragraph 3 (c) of Schedule 1 to this Agreement are maintained, during the implementation of the Project, with functions, structure and staffing satisfactory to the Association.

Section 3.04. Without limitation or restriction upon the provisions of Section 9.07 of the General Conditions, the Borrower, through VEIPS, shall, not later than June 30 and December 31 of each year during the execution of the Project, starting in June 30, 1999, furnish to the Association, for its review and comments, a report on the progress achieved in the execution of the Project, with regard to the preceding semester of such scope and in such detail as the Association may reasonably request.

Section 3.05. (a) In conjunction with the report to be furnished to the Association not later than December 31 of each year of Project implementation, pursuant to Section 3.04 of this Agreement, the Borrower shall, through VEIPS, furnish to the Association, for its review and approval, an annual operating plan for the following calendar year, in a format satisfactory to the Association, such plan to include, inter alia:

- (i) the schedule of activities to be financed out of the proceeds of the Credit;
- (ii) terms of reference for all the activities so scheduled;
- (iii) the resources required to complete such activities;
- (iv) key Project execution benchmarks; and
- (v) quality and impact indicators for the Project.

(b) Upon the Association's approval, the Borrower shall carry out, and cause FIS to carry out, such Annual Operating Plan in accordance with its terms.

Section 3.06. Without limitation or restriction to Sections 9.01 (a), 9.05 and 9.06 of the General Conditions, the Borrower shall:

- (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Performance Indicators, the carrying out of the Project and the achievement of the objectives thereof;
- (b) carry out, during the month of June of each year of Project implementation, starting in 1999, annual reviews of the Project to focus, inter alia, on: (i) progress in the implementation of the Project on the basis of the Performance Indicators; (ii) technical quality of the Educational Subprojects; (iii) any changes to Project design or implementation arrangements; and (iv) Project management and monitoring; and

(c) if, as a result of any of the above annual reviews, or any other reviews

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pursuant to Section 9.01 (a) of the General Conditions, the Association shall have reasonably determined that the progress in the execution of the Project or in the achievement of its objectives is not satisfactory, promptly take or cause to be taken, without limitation or restriction to any of the Association's rights under this Agreement, all such action, satisfactory to the Association, as shall be necessary or appropriate for the efficient execution of the Project or for the attainment of its objectives.

Section 3.07. The Borrower shall: (a) retain independent auditors acceptable to the Association to conduct, under terms of reference satisfactory to the Association:

- (i) technical audits for each semester on the performance by the Borrower in the

implementation of Parts A, B and D of the Project including achievement of physical targets, quality and cost of Educational Subprojects, compliance with eligibility criteria of Educational Subprojects, and procurement, disbursement and environmental procedures all as set forth in the Operational Manual; and (ii) a technical audit on the performance of FIS in the implementation of Part C of the Project including quality and cost of the FIS Eligible Investments and compliance with the provisions of the FIS Manuals; and

(b)

furnish to the Association: (i) as soon as available, but in no case later than ninety days after each respective semester, the respective report of the auditors as referred to in paragraph (a) (i) above; and (ii) not later than September 30, 1999, the report of the technical audit referred to in paragraph (a) (ii) above.

Section 3.08. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a)

prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association 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 Association, a plan designed to ensure the sustainability of the Project; and

(b)

afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.09. The Borrower may retain or cause FIS to retain, under an agreement or agreements satisfactory to the Association, an entity or firm for purposes of the administration and management of the Project funds or a portion of such funds. Except as otherwise agreed with the Association, the Borrower shall, and shall cause FIS not to, abrogate, waive, suspend, amend or fail to enforce such agreements or any provision thereof.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain records and separate accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts B, D and E of the Project of the departments or agencies of the Borrower responsible for carrying out such Parts of the Project or any part thereof.

(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 Association;

(ii)

furnish to the Association, as soon as available, but in any case not later than six months after the end of each such Year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii)

furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c)

For all expenditures with respect to which withdrawals from the Credit 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 Association has received the audit report for the Fiscal Year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) The Borrower shall cause FIS to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of FIS, including separate records and accounts reflecting the resources and expenditures in respect of Parts A and C of the Project.

(b) The Borrower shall cause FIS to:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records, accounts, financial statements and the audit thereof as the Association shall from time to time reasonably request.

#### ARTICLE V

##### Remedies of the Association

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

(a) as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that FIS will be able to perform any of its obligations under the Subsidiary Agreement;

(b) the Popular Participation Law or the Educational Reform Law or the Administrative Decentralization Law, or the regulations issued under each one of them,

shall have been amended, suspended, abrogated, repealed or waived so as to affect, in the opinion of the Association, materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement or the Subsidiary Agreement, or the ability of FIS to perform any of its obligations under the Subsidiary Agreement or Participation Agreements, or the ability of the Participating GMs to perform any of their respective obligations under the Participation Agreements;

(c)

the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of FIS or for the suspension of its operations; and

(d)

FIS or any Participating GM shall have failed to comply with any of the obligations or undertakings under the Subsidiary Agreement or the Participation

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Agreements, as the case may be.

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

(a)

any event specified in paragraph (d) of Section 6.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b)

any event specified in paragraphs (b) or (c) of Section 6.01 of this Agreement shall occur.

#### ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition precedent to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Subsidiary Agreement shall have been executed and delivered on behalf of the respective parties thereto.

Section 6.02. The date of October 20, 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 Hacienda

Palacio de Comunicaciones, Piso 19

Av. Mariscal Santa Cruz, esq. Calle Oruro s/n

La Paz, Bolivia

Cable address:

FINANZA

La Paz, Bolivia

For the Association:

International Development Association

1818 H Street, N.W.

Washington, D.C. 20433

United States of America

Cable address:

Telex:

INDEVAS

248423 (MCI); or

Washington, D.C.  
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 La Paz, Bolivia, as of the day and year first above written.

REPUBLIC OF BOLIVIA

By /s/ Edgar Millares Ardaya  
Authorized Representative

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INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Deborah A. Bateman  
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1.

The table below sets forth the Categories of items to be financed out of the proceeds of the Credit and the Grant, the allocation of the amounts of the Credit and the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

Amount of the  
Credit Allocated

% of

(Expressed in  
Expenditures  
Category  
SDR Equivalent)  
to be Financed

(1)

Civil Works

(a)

under

Part A.1

22,508,000

100% of FIS  
of the Project  
financial share  
under each  
Educational  
Subproject

(b)

under

Part C

9,700,000

72%  
of the Project

(2)

Goods

(a)

under Part A.1 2,492,000

100% of FIS'  
of the Project  
financial share  
under share

(b)

under Part A.2 1,480,000

Educational

of the Project  
Subproject  
(c)  
under other Parts 940,000  
100% of foreign  
expenditures;  
87% of local  
expenditures  
(3)  
Consultants'  
Services and Training  
(a)  
under Part A.2 1,110,000  
100% of FIS'  
of the Project  
financial share  
under each  
Educational  
Subproject  
(b)  
under Parts 9,350,000  
87%  
and D of the  
Project  
(c)  
under Part E (a) 190,000  
87%  
of the Project  
(d)  
under Part E (b) 190,000  
87%  
of the Project  
(4)  
Incremental  
530,000  
87% of expenditures  
Operating  
incurred on or prior to  
Page 11  
Costs  
December 31, 1999;  
60% of expenditures  
incurred after  
December 31, 1999  
and until December  
31, 2001; and  
40% thereafter  
(5)  
Incremental  
2,600,000  
100% of FIS'  
Remuneration  
financial share  
under each  
Educational  
Subproject

(6)  
Salaries and  
1,500,000  
75% of expenditures  
travel costs  
incurred before the  
of FIS' staff  
date of this Agreement  
and after July 16, 1997

(7)  
Refunding of  
1,100,000  
Amount due  
Project Preparation  
pursuant to  
Advance  
Section 2.02  
of this Agreement

(8)  
Unallocated  
2,010,000  
TOTAL  
55,700,000

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 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 supplied from the territory of the Borrower;

(c)

the term "Incremental Operating Costs" means incremental expenditures for administrative and operating costs of VEIPS, and which costs would not be incurred absent the Project, including: (i) office supplies; (ii) services rendered by public utilities; (iii) operation and maintenance of goods financed out of the proceeds of the Credit for VEIPS; (iv) salaries of the incremental staff referred to in paragraph 3 (c) (ii) of this Schedule; and (v) domestic and international travel and per diems of VEIPS' personnel and required for the execution of the Project;

(d)

the term "Training" means: (i) remuneration of trainers; (ii) domestic and international travel and per diems of trainers and trainees; and (iii) training materials;

(e)

the term "Incremental Remuneration" means expenditures for incremental remuneration for teachers in a School Nucleus in connection with services provided for the adaptation of educational reform initiatives to local classroom settings under Educational Subprojects under Part A of the Project; and

(f)

the term "Salaries and Travel costs of FIS's Staff" means the salaries of all professionals and technicians of FIS (other than its President) as approved by the Association and the travel costs of such staff associated with the administration of FIS Eligible Investments.

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 equivalent of SDR 4,700,000 may be made in respect of Categories (1) through (6) of the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after July 16, 1997;

(b)

payments made for expenditures under Categories (1) (a), (2) (a), (3) (a) or (5) of such table under an Educational Subproject unless: (i) the respective

Participation Agreement has been entered into by the respective parties thereto; and (ii) the respective departmental and municipal evaluation committee shall have been established with structure, functions and staffing satisfactory to the Association; and

(c)

payments made for expenditures under Categories (1) (a), (2), (3), (4) or (5) of such table in respect of the Project (other than Part C of the Project) unless the Borrower shall: (i) have approved the Operational Manual; and (ii) have employed, at least, five administrative and technical specialists within VM with qualifications, experience and terms of reference satisfactory to the Association.

4.

The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure, under such terms and conditions as the Association shall specify by notice to the Borrower, for expenditures:

(a)

for goods under contracts costing less than \$150,000 equivalent each;

(b)

for works under contracts costing less than \$500,000 equivalent each;

(c)

for the services of consulting firms under contracts costing less than \$50,000 equivalent each;

(d)

for the services of individual consultants under contracts costing less than \$25,000 equivalent each; and

(e)

for all Training, Incremental Remuneration, FIS Administrative Costs and Incremental Operating Costs, and Salaries and Travel cost of FIS' Staff.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist in the implementation of the Borrower's educational reform program focusing on low-income rural and peri-urban areas, through targeted interventions aimed at improving the quality and equity of the Borrower's education system, facilitating the access of the target population to basic education, reducing desertion and repetition rates, and increasing the educational performance of boys and girls.

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

Part A:

#### Educational Subprojects

1.

Construction, rehabilitation, remodeling and/or upgrading of, and provision of equipment for, rural and urban schools of selected School Nucleus under Educational Subprojects.

2.

Provision of technical assistance and training to teachers and principals, and adaptation of educational reform materials to local classroom settings by teachers, of selected School Nucleus under Educational Subprojects.

Part B:

Institutional Strengthening

1.

Carrying out of a municipal inventory of school infrastructure and equipment.

2.

Installation and operation of municipal information systems for investment planning in school infrastructure and equipment.

3.

Provision of: (a) technical assistance and training to selected faculty, directors of educational units, Pedagogical Advisors and Local School Boards, directors of School Nucleus, directors of DDiEs and staff from Participating GMs on municipal and school educational management and design, and implementation and evaluation of activities under Part A of the Project; (b) training to staff from the Participating GMs and DDiEs in the operation of the municipal information systems in Part B.2 of the Project; (c) technical assistance to selected faculty, directors of educational units, Pedagogical Advisors and Local School Boards, directors of School Nucleus, directors of DDiEs and staff from Participating GMs on group dynamics, conflict resolution, institutional and inter-institutional organization and coordination processes, mechanisms for community participation and human resources management; (d) training to members of the departmental and municipal operational

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evaluation committees referred to in Section 3.

03 (a) (c) of this Agreement on aspects of implementation of Part A of the Project; and (e) technical assistance to selected faculty, directors of educational units, parents of students, Pedagogical Advisors and Local School Boards, directors of School Nucleus, directors of DDiEs and staff from Participating GMs on pedagogical and curricular innovation, improvement of school infrastructure and equipment and budget management.

4.

Acquisition and utilization of basic transportation and communications equipment for approximately 250 DDiEs, aimed at ensuring the availability of the minimal resources required by such Directorates to participate in the Borrower's education reform program.

Part C:

FIS Eligible Investments

Carrying out of FIS Eligible Investments.

Part D:

Rural Girls Pilot Program

1.

Carrying out of a qualitative and quantitative diagnostic in approximately fifty (50) selected municipal jurisdictions to determine access, permanence, attendance and dropout rates by age and gender including the assessment of cultural and non-cultural barriers to permanence in the schools.

2.

Carrying out of: (a) a training program for faculty members in the selected municipal jurisdictions on improvement of rural girls' education; and (b) a community awareness program with parents and school councils.

3.

Carrying out of a program of focalized activities in approximately ten (10) selected municipal jurisdictions which may include, inter alia, scholarships for female teachers and transportation services for rural children.

Part E:

Secondary and Tertiary Education

Carrying out of studies to evaluate and make recommendations on the expansion of the Borrower's educational reform program in: (a) secondary education; and (b) tertiary education.

\* \* \*

The Project is expected to be completed by June 30, 2003.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I.

##### Procurement of Goods and Works

###### Part A:

###### General

###### 1.

Goods and works 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 and September 1997, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines); and (b) the provisions of the following Parts of this Section I.

###### 2.

In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

###### Part B:

###### International Competitive Bidding

###### 1.

Except as otherwise provided in Part C of this Section, goods and works 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 and works 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

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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 less than \$150,000 but more than \$50,000 equivalent per contract, up to an aggregate amount equivalent to \$3,000,000; and

###### (b)

works estimated to cost \$500,000 or less but more than \$50,000 equivalent per contract, up to an aggregate amount equivalent to \$27,500,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

###### 2.

###### Shopping

Goods estimated to cost \$50,000 equivalent or less per contract, up to an aggregate amount not to exceed \$1,040,000 equivalent, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of



paragraphs 3.5 and 3.6 of the Guidelines.

3.

#### Procurement of Small Works

Works estimated to cost \$50,000 equivalent or less per contract, up to an aggregate amount not to exceed \$26,000,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

4.

#### Community Participation

Goods required for Part A.1 of the Project estimated to cost \$25,000 equivalent or less per contract, up to an aggregate amount not to exceed \$2,000,000 equivalent, may be procured in accordance with procedures acceptable to the Bank as such procedures are described in the Operational Manual.

#### Part D:

#### Review by the Association 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 Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2.

#### Prior Review

(a)

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

(b)

With respect to:

(i)

the first three contracts for works or goods to be awarded each year under Part C.1 of this Section; and

(ii)

the first three contracts for works or goods to be awarded each year under Parts C.2 and C.3 of this Section, the following procedures shall apply:

(A)

prior to the selection of any supplier or contractor, as the  
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case may be, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(B)

prior to the execution of any contract, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

(C)

the procedures set forth in paragraphs 2 (f), 2 (g) 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

1.

Consultants' services shall be procured in accordance with: (a) 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 and revised in September 1997, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

2.

In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

##### Part B:

##### Quality- and Cost-based Selection

1.

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.

2.

The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services for technical assistance under Parts A and B of the Project, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

##### Part C:

##### Other Procedures for the Selection of Consultants

1.

##### Selection Based on Consultants' Qualifications

Services for technical assistance and training under Part A.2 of the Project estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2.

##### Selection Under a Fixed Budget

Services for ex-post evaluations under Part B of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3.

##### Individual Consultants

Services for technical assistance and training under the Project, in tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, 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 Association of the Selection of Consultants

1.

## Selection Planning

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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 Association 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 Association, 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 \$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 for the employment of individual consultants estimated to cost the equivalent of \$25,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

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 Consultant Guidelines shall apply.

## Section III.

### Special Provisions

A.

In addition and without limitation to any other provision set forth in this Schedule or the Guidelines, the following rules shall govern all procurement of goods and works referred to in Part C.1 of Section I of this Schedule:

1.

A merit point system shall not be used in the prequalification of bids.

2.

The award of goods and works contracts shall be based exclusively on price and, whenever appropriate, shall also take into account factors similar to those referred to in paragraph 2.51 of the Guidelines, provided, however, that the bid evaluation shall always be based on factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid.

3.

The Borrower shall open all bids at the stipulated time and place in accordance with a procedure satisfactory to the Association.

4.

The Borrower shall use a single envelope procedure.

5.

Whenever there is a discrepancy between the amounts in figures and in words of a bid, the amounts in words shall govern.

6.

Except as the Association shall otherwise agree, the bidding process shall not be declared void if only three bids or less have been submitted unless such bids have been determined not to be responsive.

7.

Any standards and technical specifications (quoted in the bidding documents) which are at least substantially equivalent to the national standards and technical specifications shall be acceptable.

8.

Foreign bidders shall be allowed to participate.

9.

Foreign bidders shall not be required to legalize any documentation related to their bids with Bolivian authorities as a prerequisite of bidding.

10.

No margin of preference shall be granted for any particular category of bidders.

11.

The auction procedure (Puja Abierta) shall not be used.

12.

In the event that a bidder whose bid was evaluated as the bid with the lowest evaluated price withdraws its bid, the contract may be awarded to the second lowest responsive evaluated bid.

13.

Foreign bidders shall not, as a condition for submitting bids, be required to enter into a joint venture agreement with local bidders.

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14.

No other procurement rules or regulations of the Borrower's agencies or of any state-owned entity shall apply without the prior review and consent of the Association.

B.

In addition and without limitation to any other provisions set forth in this Schedule or the Consultant Guidelines, the following rules shall govern all procurement of consultants' services referred to in Section II of this Schedule:

1.

As a condition for participating in the selection process, foreign consultants shall not be required to enter into a joint venture agreement with local consultants, unless the conditions stated in paragraph 1.12 of the Consultant Guidelines are met.

2.

As a condition for participating in the selection process, foreign consultants shall not be required to legalize their proposals or any documentation related to such proposals with Bolivian authorities.

3.

Foreign consultants shall not be required to be registered in the Borrower's National Registry of Consultants (Registro Nacional de Consultoría).

#### SCHEDULE 4

##### Special Account

1.

For the purposes of this Schedule:

(a)

the term "eligible Categories" means Categories (1) through (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b)

the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit 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 an amount equivalent to \$3,000,000, in respect of the Special Account A and an amount equivalent to \$700,000 in respect of the Special Account B, to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Administrator shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,000,000 in respect of the Special Account A and an amount equivalent to \$300,000 in respect of the Special

Account B until: (i) in respect of the Special Account A, the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$6,000,000; and (ii) in respect of the Special Account B, the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$1,500,000.

2.

Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3.

After the Association 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 respective Special Account shall be made as follows:

(a)

For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the respective 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 Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b)

(i)

For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective Special Account at such intervals as the Association shall specify.

(ii)

Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment

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or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit 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 respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit 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 respective Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into the Special Account:

(a)

if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit 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 Association, 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 Association pursuant to said Section in respect of the audit of the records and accounts for the respective Special Account;

(c)

if, at any time, the Association 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 Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d)

once the total unwithdrawn amount of the Credit allocated to the eligible Categories minus the total amount of all outstanding special commitments entered into by the Association 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 Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6.

(a)

If the Association shall have determined at any time that any payment out of the respective 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 Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the respective Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the respective 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 Association shall have determined at any time that any amount outstanding in the respective Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c)

The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the respective Special Account.

(d)

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

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## SCHEDULE 5

### Participation Agreements

Participation Agreements shall be entered into on terms, satisfactory to the Association, whereby FIS and the Borrower, through MECD, shall obtain rights adequate to protect the interests of the Association and the Borrower, including the right to:

(a)

require the Participating GM to carry out and operate the Educational Subproject or FIS Eligible Investment with due diligence and efficiency and in accordance with appropriate managerial, administrative, financial, engineering, environmental and educational standards and practices and the Operational Manual, and to provide its financial share for the respective Educational Subproject and to maintain adequate records;

(b)

require that the goods, works and consultants' services to be financed out of the proceeds of the Credit shall be used exclusively in the carrying out of the Educational Subproject or FIS Eligible Investment;

(c)

inspect, by itself or jointly with representatives of the Borrower and the Association, if the Borrower and the Association shall so request, such goods and the sites, works, and construction included in the Educational Subproject or FIS Eligible Investment, the operation thereof, and any relevant records and documents;

(d)

require that: (i) the Participating GM take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound managerial practice; and (ii) without any limitation upon the foregoing, such insurance cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Credit to the place of use or installation, any indemnity thereunder to be made payable to the Borrower or FIS to replace or repair such goods;

(e)

obtain all such information as the Borrower, the Association and FIS shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Participating GM and to the benefits to be derived from the Educational Subproject or FIS Eligible Investment; and

(f)

suspend or terminate the right of the Participating GM to benefit from the proceeds of the Credit upon failure by such GM to perform its obligations under the corresponding Participation Agreement.