

CONFORMED COPY

LOAN NUMBER 7498-CR

Loan Agreement

(City-Port of Limón Project)

between

REPUBLIC OF COSTA RICA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated February 27, 2008

LOAN NUMBER 7498-CR

LOAN AGREEMENT

Agreement dated February 27, 2008, between REPUBLIC OF COSTA RICA (“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 this 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 seventy-two million five hundred thousand Dollars (\$72,500,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 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 Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 2.04. 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; 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. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are April 15 and October 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement. Schedule 3 sets forth a repayment term of 10 years with a grace period of 5 years, all calculated based on the estimated date of the presentation of the Loan to the Board of Executive Directors.
- 2.07. (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 objectives of the Project. To this end, the Borrower shall carry out the Project: (a) under the management of the Ministry of Finance (including all procurement, financial management and disbursement matters), coordination of the Coordination Committee, all through the PCU; and (b) with the assistance of the Implementation Entities and Participating Entities set forth in the following table, all in accordance with the provisions of Article V of the General Conditions.

Part of the Project	Implementation Entities	Participating Entities
Part I.1 (i)	<i>Correos</i> Ministry of Culture	
Part I.1 (ii)	JAPDEVA	Municipality of Limón
Part I.1 (iii)	INBIO	ICODER
Part I.1 (iv)	Municipality of Limón	Ministry of Culture/ INBIO
Part I.1 (v)	Municipality of Limón	Ministry of Culture
Part I.1 (vi)	ICODER	Municipality of Limón

Part I.1 (vii)	Ministry of Culture	
Part I.2 (i)	A & A	Municipality of Limón
Part I.2 (ii)	SENARA	JAPDEVA Ministry of Housing Municipality of Limón
Part II	Ministry of Economy, Industry and Commerce	JAPDEVA Ministry of Culture
Parts III.1 and III.3	IFAM	Municipality of Limón
Parts III.2 and III.4	Municipality of Limón	COREDES, Ministry of Culture
Part IV.1	INCOFER	JAPDEVA
Part IV.2	Concession's Council	

- 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 Events of Suspension consist of the following:
- (a) Any of the Entity's Legislation has been amended, suspended, abrogated, repealed, waived or not enforced so as to affect materially and adversely the ability of any Entity to perform any of its obligations under its respective Implementation Agreement.
 - (b) Any of the Entities shall have failed to comply with their obligations under the respective Implementation Agreement.
- 4.02. The Additional Events of Acceleration consist of the following:
- (a) Any event specified in paragraph (b) of 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.
 - (b) Any event specified in paragraph (a) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

- (a) The Implementation Agreement required for either Part I.2 (i) or Part I.2 (ii) of the Project has been entered into by the parties thereto in form and substance satisfactory to the Bank; and
- (b) The PCU and the Coordination Committee have been established in form and substance satisfactory to the Bank.

5.02. The Additional Legal Matter consists of the following:

The Implementation Agreement furnished to the Bank in fulfillment of the requirements of Section 5.01 (a) of this Agreement has been duly authorized or ratified by the Borrower and respective Implementation Entity and Participating Entity, as the case may be, in accordance with its terms.

5.03. 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 Bank's approval of the Loan which expire on July 8, 2009.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its Minister of Finance.

6.02. The Borrower's Address is:

Ministerio de Hacienda
Calle 1 y 3 Avenida 2
Diagonal al Teatro Nacional

San José
Costa Rica

Facsimile:
(506) 255-4158

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:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at San José, Costa Rica, as of the day and year first above written.

REPUBLIC OF COSTA RICA

By /s/ Óscar Arias Sánchez
Authorized Representative

By /s/ Guillermo Zúñiga Chaves
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Laura Frigenti
Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are: (a) to improve the protection and management of the City of Limón's cultural and natural heritage; (b) to increase access to the sewage system and reduce urban flooding in the area of Limoncito; (c) to foster a more efficient, accountable and credible local government; (d) to create new employment opportunities through the development of small and micro-enterprises; and (e) to support the Borrower's port modernization process and improve transport access to the Limón and Moin port terminals.

The Project consists of the following parts:

Part I: Urban and Cultural Revitalization

1. Cultural, Natural and Architectonic Revitalization

Restoration and revitalization of buildings and sites of high cultural and natural value and potentiality – 'emblematic assets' – in Limón's historic center and surroundings and renewal of streets that link those buildings and areas – 'cultural tourism routes' - including, *inter alia*:

(i) restoration of the Post Office building, including the modernization of the post office services and the establishment of a living cultures museum;

(ii) revitalization of the patios, including a train station for visitors, convention area, leisure areas, a public beach for residents and visitors (Playa Los Baños) and a local bureau for the Ministry of Culture;

(iii) rehabilitation of Cariari Park to serve as a school park for leisure activities and for environmental education of the population;

(iv) creation of trails and a small tourist information center on Uvita Island for eco and historical tourism purposes;

(v) (a) construction of three pedestrian routes linking both the emblematic buildings referred to in 1. above among themselves, and the historic core of Limón with its main neighborhoods; (b) design and implementation of standards for the overall signage and color of the historical buildings facades and streets; and (c) revitalization of an urban park along the city's coastal shore;

(vi) rehabilitation of 15 sports fields across various neighborhoods in Limón to address the recreational needs of youth; and

(vii) restoration of the *Casa de la Cultura*, Limón's theater.

2. Urban Revitalization

(i) Sewerage

(a) Wastewater Collection in the Limoncito and Pueblo Nuevo Areas

Construction of sewerage collection networks in the Limoncito and Pueblo Nuevo areas, provision of operation and maintenance equipment (including, *inter alia*, as needed, a truck equipped with sewerage cleaning equipment, small pumps, tool kits, vehicles, trucks and manual equipment for opening clogged pipes) and rehabilitation of the effluent pumping station in the treatment plant, which discharges the effluent to the submarine outfall, and upgrading of the treatment plant by adding to it an air collection and odor control installation to prevent generation of odors in the vicinity of the plant.

(b) Pollution Control of Playa Los Baños

Construction of sewerage networks in the neighborhoods of Cerritos, Gertrudis, El Mirador, and part of Santa Eduvigues, and an interceptor which will convey the collected wastewater to the existing wastewater treatment plant and from it to the existing submarine outfall.

(c) Resurfacing of Streets in Limoncito

Paving of about 30 km of earth roads to improve the conditions of living in this neighborhood.

(ii) Flood Control System in the Limoncito Area

(a) Improvements in the man-made Santa Rosa Canal to provide the required drainage capacity.

(b) Widening and improvements in the final section of the canal of the creek along Santa Rosa Street and construction of an access to the south of the right bank of such canal.

(c) Improvements in the man-made Limoncito Canal and the Cieneguita Estuary.

(d) Provision of a drainage outlet from the wetland near Limón to the sea crossing national highway 32, including, *inter alia*, construction of drainage pipes to evacuate the wetland water to the sea.

(e) Improvements in the Limoncito River in the section between the spillway to the Limoncito Canal and the confluence with Chocolate Creek.

- (f) Improvements in Chocolate Creek, including, *inter alia*, reconstruction of several bridges to prevent the interference of the existing bridges with the hydraulic section, cleaning of solid wastes, vegetation and coarse sediments, reconstruction as a lined open canal and elimination of sections passing under buildings.
- (g) Improvements in the Limoncito River in the section between the confluence with Chocolate Creek and the Cieneguita Estuary, dredging the mouth of the Cieneguita Estuary.
- (h) Provision of operation and maintenance equipment including, *inter alia*, hydrological measurement stations, dredging equipment, excavation equipment and trucks.

Part II: Local Economic Development

1. Establishment of marketplaces and provision of conditional cash transfers to Eligible SMEs to promote enterprise development (the Incentives).
2. Provision of in situ technical assistance to Eligible SMEs for, *inter alia*, the development of bankable business plans, bookkeeping, legal advice, and internet related services through grants (the Technical Assistance Grants).
3. Strengthening of the Ministry of Economy, Industry and Commerce local development function in Limón through *inter alia*:
 - (i) the establishment of an inventory of small and micro businesses in Limón;
 - (ii) software development and an updated database of training supply and needs;
 - (iii) the set-up of a one-stop information window for parties dealing with said Ministry;
 - (iv) the organization of interface-workshops between training entities and micro entrepreneurs to discuss learning priorities and training schedules; and
 - (v) the carrying out of other technical assistance activities proposed by the Borrower and agreed to by the Bank.

Part III: Local Governance and City-Port Strategic Planning

1. (i) Strengthening Municipal Management:
 - (a) Design and implementation of a participatory budget mechanism for the participatory prioritization of investment allocations and public discussion of overall design and execution of the Municipality of Limón budget in coordination with the development of the city-port strategic plan referred to in 2. below.

- (b) Establishment of a complaints and claims reception and solution mechanism in the Municipality of Limón involving representatives of local civil society and the national ombudsperson office.
 - (c) Publication of approved and executed municipal budget and other key information of municipal activities in friendly and easy-to-access web, print and broadcast formats.
- (ii) Municipal Development Planning and Monitoring Bureau
- (a) Establishment of a municipal development bureau which will be in charge of the formulation, management, updating, implementation, enforcement and monitoring of the city-port strategic plan referred to in 2. below and of all other related planning and urban development norms and documents; and
 - (b) provision of technical advice to prepare and enforce regulations for the protection of Limón's historical buildings and sites jointly with the local bureau of the Ministry of Culture.
- (iii) Provision of technical assistance to develop and implement a tourism promotion strategy to enhance Limón's image and increase its potential for tourism.

2. Strategic Plan for the City-Port of Limón

Provision of technical assistance for the elaboration of the Strategic Plan for the City-Port of Limón building on the existing regulatory plan and the port master plan, updating, improving and integrating them into a development vision and strategic investment priorities for the City and the City-Port interface.

3. Strengthening of Fiscal and Financial Management

- (i) Provision of technical assistance for financial strengthening of the Municipality of Limón, including, *inter alia*:
 - (a) electronic integration of treasury, accounting and budget and procurement processes;
 - (b) restructuring of the income accounting system to improve fiscal efficiency and transparency;
 - (c) strengthening of contributor account system;
 - (d) training of the accounting staff on specific financial, fiscal, accounting and budget management skills; and
 - (e) revision of the operational manual of the financial management department.

- (ii) Integration of the municipal information systems and improvement of the financial management, fiscal sustainability and transparency of the Municipality of Limón, including, *inter alia*:
 - (a) the acquisition and upgrading of hardware;
 - (b) training of specialized and regular staff;
 - (c) the analysis and software development to integrate the information systems; and
 - (d) the articulation of the internal financial information system with a transparency website accessible through the external portal of the Municipality of Limón.
- (iii) Improvement of the municipality of Limón property tax management and collection, and cadastre and nomenclature systems, including, *inter alia*:
 - (a) completion of the cadastre registry;
 - (b) evaluation of real estate properties for valuation purposes; and
 - (c) design and implementation of a nomenclature system that will facilitate the location of properties to make tax collection and enforcement more efficient.

4. Municipal Building

Carrying out of studies, design, construction and provision of critical equipment for new administrative premises of the Municipality of Limón.

Part IV: Port Environment Improvement

1. Improving the Transport Access to Limón:

- (i) Rebuilding one end of the bridge over the Chirripo River, in the county of Río Frío.
- (ii) Rehabilitation of an existing terminal so that it can work as warehousing facility for banana and pineapple producers in the counties of Guácimo and Pococí.
- (iii) Construction of approximately 800 meters of track which will enable trains to access the dock of Moin for unloading cargo.
- (iv) Carrying out studies and rehabilitation of railway connections to the Limón and Moin terminals, and the city of Limón.

2. Technical Assistance to Support Transport Improvement

Provision of technical assistance required to improve the Borrower's transport sector, including structuring the modernization process of the Ports of Limón and Moin, as shall be proposed by the Borrower and agreed to by the Bank, including, *inter alia*, technical audits of key analyses such as the port master plans and the ongoing multimodal transport system modernization and concessions programs.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements. The Borrower shall establish and thereafter maintain at all times during the execution of the Project:

1. a unit to be responsible for the overall management of the Project, including, *inter alia*, the technical management of the activities carried out by the Implementation Entities, and the day-to-day management of the financial and procurement aspects of the Project; and

2. a coordination committee chaired by the Borrower's Minister of Inter-Institutional Coordination to be responsible for the overall coordination of the Project, including, *inter alia*, the definition of implementation policies, the facilitation of inter-institutional coordination between the Borrower and the Implementation Entities and the approval of the annual operating plans and monitoring reports,

all in accordance with the provisions of the Operational Manual.

B. Implementation Agreements

1. The Borrower shall through the Ministry of Finance and its Minister of Inter-Institutional Coordination enter into an agreement for each of the Parts of the Project listed in the table in Section 3.01 of this Agreement with each of the corresponding Implementation Entities and Participating Entities, as the case may be, to set forth, under terms and conditions satisfactory to the Bank, their respective responsibilities, including, *inter alia*:

(a) the Ministry of Finance's role to manage the procurement and financial management aspects of the Project;

(b) the Implementation Entities' obligations to comply with the safeguard, technical and other requirements of the Loan Agreement and the Operational Manual applicable to their parts of the Project; and

(c) the Participating Entities' obligation to provide technical guidance, assume operational and maintenance obligations at completion or otherwise, and other responsibilities as shall be applicable.

2. Except as the Borrower shall otherwise agree, the Borrower shall not amend, assign, abrogate, waive or fail to enforce any of the Implementation Agreements or any of their provisions.

C. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Incentives and Technical Assistance Grants

1. The Borrower shall, through the Ministry of Finance and the Ministry of Economy, Industry and Commerce, prior to the implementation of Parts II.1. and II.2. of the Project, sign a contract or contracts, satisfactory to the Bank, with the Marketplace Management Consulting Firms to secure its assistance in the preparation and implementation of the marketplace fairs and implementation of the Technical Assistance Grants.
2. The Borrower shall, through the Ministry of Economy, Industry and Commerce:
 - (a) prepare and furnish to the Bank for its review and approval, a manual (Local Development Manual) to set forth, *inter alia*, the eligibility criteria for Incentives and Technical Assistance Grants, the operational rules of the marketplace fairs and the powers of the Marketplace Selection Committee; and
 - (b) award the Incentives and provide the Technical Assistance Grants to finance the technical assistance referred to in Part II.2 of the Project in accordance with the provisions of such Local Development Manual, satisfactory to the Bank.
3. The Borrower shall, through the Ministry of Economy, Industry and Commerce prior to the granting of any Technical Assistance Grants and Incentives enter into an agreement satisfactory to the Bank with the Eligible SME setting forth the respective responsibilities in the implementation and monitoring of the activities financed by the Technical Assistance Grant, and the business plans of the Eligible SMEs on the basis of which the Incentives were provided.
4. Except as the Borrower shall otherwise agree, the Borrower shall not amend, assign, abrogate, waive or fail to enforce any of agreements entered into as per paragraph 3. above or any of their provisions.

E. Operational Manual

Without limitation to the provisions of Article V of the General Conditions, the Borrower shall carry out and cause to be carried out the Project in accordance with the Operational Manual, satisfactory to the Bank, containing, *inter alia*:

- (a) the functions, responsibilities and training requirements (when applicable) for the personnel responsible for the management, coordination, monitoring and evaluation of the Project, including the PCU and the Coordination Committee;
- (b) procedures for procurement of goods, works and services, as well as for financial management, disbursement and audits of the Project and respective forms, reports and guidelines;
- (c) the arrangements for delegation of procurement decisions to the PCU or any other Implementation Entity agreed to by the Bank to assume such responsibilities;
- (d) the indicators to be used in the monitoring and evaluation of the Project; and
- (e) the Environmental Management Plan, the Abbreviated Resettlement Plan and the Resettlement Framework.

In case of any conflict between the provisions of this Agreement and those of the Operational Manual, the provisions of this Agreement shall prevail.

F. Safeguards

1. The Borrower shall, in respect of Part I.2.(ii) of the Project, carry out and cause to be carried out the Abbreviated Resettlement Plan in accordance with its terms.

2. The Borrower shall, in respect of the remaining Parts of the Project and investments of Part I.2. (ii) to be implemented in the second year of Project implementation and thereafter:

(a) furnish to the Bank for its approval, in accordance with the Resettlement Framework, any needed Resettlement Plan; and

(b) carry out and/or cause to be carried out by the respective Implementation Entity such Resettlement Plans, in accordance with their terms.

3. The Borrower shall carry out the Project in accordance with the Environmental and Social Management Framework, and furnish to the Bank any needed documentation (including specific environmental management plans) as required by such Environmental and Social Management Framework.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

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 quarter, and shall be furnished to the Bank not later than 45 days after the end of the period covered by such report.

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 not later than 45 days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, 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, non-consultants services and works 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 Section.
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 Section.
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 Goods, Non-Consultants Services and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, non-consultants services and works shall be procured under contracts awarded on the basis of International Competitive Bidding procedures and the use of prequalification for procurement of works contracts estimated to cost \$20,000,000 or more.
2. **Other Methods of Procurement of Goods, Non-Consultants Services and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, non-consultants services and works. 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. 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) Least-Cost Selection
(c) Selection Based on Consultants Qualifications
(d) Single-Source Selection
(e) Selection Under a Fixed Budget
(f) 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.

E. Special Procurement Provisions

1. Procurement of Goods and Works Without limitation upon other provisions of this Section or the Procurement Guidelines, the following additional provisions shall apply to all goods, non-consultants services and works procured for the Project under contracts awarded on the basis of National Competitive Bidding (“NCB Contracts”):

- (a) The Borrower shall submit (or cause to be submitted) all forms and models of requests for quotations and bidding documents that the Borrower proposes to use for the procurement of goods and works under NCB Contracts (the “Standard Bidding Documents”) to the Bank for its approval before the Borrower issues its first invitation for bids for any of the NCB Contracts for the Project. Except as the Bank shall otherwise agree, the Borrower shall not amend, revise or otherwise modify or change the Standard Bidding Documents that have been approved by the Bank in accordance with the foregoing sentence (the “Approved Bidding Documents”).
- (b) Each bid shall be evaluated and the corresponding contract awarded to the responsive bidder: (a) who meets the appropriate technical and financial standards or capabilities; and (b) whose bid has been determined to be the lowest evaluated bid. Such determination shall be made exclusively on the basis of the specifications, conditions and evaluation criteria stipulated in the Approved Bidding Documents. If the bid evaluation will consider any factor other than the amount or amounts of each bid, the Approved Bidding Documents will precisely stipulate and describe each such factor, including, *inter alia*, the manner in which such factor will be quantified and given a relative weight for purposes of determining the lowest evaluated bid. 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 2.52 of the Procurement 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. For purposes of bid evaluation and comparison, the only bid amount or amounts to be used as a factor shall be the bid amount or amounts as quoted in the corresponding bid, as such bid may be corrected by the Borrower for arithmetic errors.

- (c) Foreign bidders shall be allowed to participate and shall not, as a condition for participating in the bidding process, be required to:
 - (i) be registered in the Borrower's territory;
 - (ii) have a representative in the Borrower's territory;
 - (iii) enter into a joint venture agreement with local bidders; or
 - (iv) legalize their bids or any documentation related to such bids with an embassy or consulate of the Borrower, the Borrower's Ministry of Foreign Affairs, or any other governmental authority or representative of the Borrower, as a pre-condition to participating in the bidding process.
- (d) No reference value shall be required for publication in the bidding documents and call for bids.
- (e) Any standards and technical specifications (quoted in the bidding documents) which are at least substantially equivalent to the standards and technical specifications of the Borrower shall be acceptable.
- (f) No minimum number of responsive proposals shall be required prior to awarding a contract for goods or works.
- (g) No margin of preference shall be granted for any particular category of bidders.
- (h) The Borrower shall open, or cause the opening of, all bids at the stipulated time and place in accordance with a procedure satisfactory to the Bank.
- (i) No other procurement rules or regulations of the Borrower shall apply without the prior review and approval of the Bank.

2. Selection of Consultant Services

Without limitation upon other provisions of this Section or the Consultant Guidelines, the following additional provisions shall apply to all consultants' services procured for the Project:

- (a) Foreign consultants will be allowed to participate and will not, as a condition for participating in the selection process, be required to:
 - (i) be registered in the Borrower's territory;
 - (ii) have a representative in the Borrower's territory;
 - (iii) enter into a joint venture agreement with local consultants, unless the conditions stated in paragraph 1.12 of the Consultant Guidelines are met;
or

- (iv) legalize their proposals or any documentation related to such proposals with an embassy or consulate of the Borrower, the Borrower’s Ministry of Foreign Affairs, or any other governmental authority or representative of the Borrower, as a pre-condition to participating in the selection process.
- (b) No minimum number of responsive proposals shall be required prior to awarding a contract for consulting services.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower in the form of a disbursement letter (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), 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 (exclusive of Taxes)
(1) Goods, non-consultants’ services, works and consultants services for Part I.1.(i) of the Project	2,614,000	100%
(2) Goods, non-consultants’ services, works and consultants services for Part I.1. (ii) of the Project	13,920,000	100%
(3) Goods, non-consultants’ services, works and consultants services for Part I.1. (iii) of the Project	4,460,000	100%

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (exclusive of Taxes)
(4) Goods, non-consultants' services, works, consultants services and Operating Costs of INBIO for Part I.1. (iv) of the Project	1,135,000	100%
(5) Goods, non-consultants' services, works and consultants services for Part I.1. (v) of the Project	1,509,000	100%
(6) Goods, non-consultants' services, works and consultants services for Part I.1.(vi) of the Project	232,000	100%
(7) Goods, non-consultants' services, works and consultants services for Part I.1.(vii) of the Project	522,000	100%
(8) Goods, non-consultants' services, works and consultants services for Part I.2.(i) of the Project	20,500,000	100%
(9) Goods, non-consultants' services, works and consultants services for Part I.2.(ii) of the Project	10,200,000	100%
(10) (a) Goods, non-consultants' services and consultants services for Part II of the Project; and (b) Incentives and Technical Assistance Grants	1,600,000 400,000	100%
(11) Goods, non-consultants' services and consultants services for Parts III.1 and III.3 of the Project	1,792,000	100%

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (exclusive of Taxes)
(12) Goods, works, non-consultants' services and consultants services for Parts III.2 and III. 4 of the Project	2,540,000	100%
(13) Goods, non-consultants' services, works and consultants' services for Part IV.1 of the Project	5,800,000	100%
(14) Consultants' services for Part IV.2 of the Project	1,095,000	100%
(15) Unallocated	4,181,000	
(16) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.07 (c) of this Agreement
TOTAL AMOUNT	72,500,000	

3. For purposes of paragraph 2 above, the term "Operating Costs of INBIO" means reasonable recurrent expenditures (not including consultants services) incurred by INBIO in the implementation of Part I.1.(iv) of the Project .

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee;
 - (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$7,000,000 equivalent may be made for payments made within twelve months prior to the date of this Agreement, for Eligible Expenditures;
 - (c) under each Category (1) through (14) unless the respective Implementation Agreement has been signed by the parties thereto in form and substance satisfactory to the Bank; and
 - (d) under Sub-Category (10) (b) of the table in Section IV.A. of this Schedule, unless: (i) the Borrower has signed a contract or contracts, satisfactory to the Bank, with the Marketplace Management Consulting Firm selected to assist in

the implementation of the Incentives and Technical Assistance Grants; and (ii) the Local Development Manual has been approved by the Bank.

2. The Closing Date is June 30, 2014.

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, 2013 through October 15, 2022	5%

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. “A & A” means *Instituto Costarricense de Acueductos y Alcantarillados*, or ICAA, the Borrower’s Aqueduct and Sewerage Company, established pursuant to the A & A Legislation.
2. “A & A Legislation” means the Borrower’s Law No. 2726 published in the Gazette on April 20, 1961, as amended to the date of this Agreement.
3. “Abbreviated Resettlement Plan” means the plan for the relocation of families sent to the Bank on November 6, 2007.
4. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Concession’s Council” means *Consejo Nacional de Concesiones*, the council ascribed to the Borrower’s Ministry of Public Works and Transport and established pursuant to article 6 of the Borrower’s Law No. 7762 published in the *Gazette* on May 22, 1998.
7. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
8. “Coordination Committee” means the committee to be established, with the Borrower’s Minister of Inter-institutional Coordination as chair, to coordinate the implementation of the Project.
9. “COREDES - PROLI” means *Consejo Regional de Desarrollo para la Provincia de Limón*, the Borrower’s Regional Development Council for Limón.
10. “*Correos*” means *Correos de Costa Rica, S.A.*, the corporation established by the *Correos* Legislation to handle mail and telegraph in Costa Rica.
11. “*Correos* Legislation” means the Borrower’s Law No. 7768, dated April 24, 1998.
12. “Eligible SME” means a SME eligible to receive an Incentive in accordance with the eligibility criteria set forth in the Local Development Manual.
13. “Entity” means any Implementation Entity or Participating Entity.
14. “Entity’s Legislation” means any of the Implementation Entities’ or Participating Entities’ legislation, as each such legislation is defined in this Appendix (and including the law establishing the Concession’s Council).

15. “Environmental and Social Management Framework” means the framework with the requirements for addressing the environmental, cultural property, and natural habitats aspects of the Project, furnished by the Borrower on August 15, 2007 and set forth in the Operational Manual.
16. “Gazette” means *La Gaceta*, the Borrower’s official gazette.
17. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through October 17, 2007).
18. “ICODER” means *Instituto Costarricense del Deporte y la Recreación*, the Borrower’s sports and recreation institute established pursuant to article 1 of the ICODER Legislation.
19. “ICODER Legislation” means the Borrower’s Law No. 7800 published in the Gazette on May 29, 1998, as amended to the date of this Agreement.
20. “IFAM” means *Instituto de Fomento y Asesoría Municipal*, the Borrower’s Municipal Development and Counseling Institute, established pursuant to the IFAM Legislation.
21. “IFAM Legislation” means the Borrower’s Law No. 4716 published in the Gazette on February 11, 1971, as amended to the date of this Agreement.
22. “Implementation Agreements” means collectively the agreements referred to in Section I.B of Schedule 2 to this Agreement.
23. “Implementation Entity” means the entity in charge of the technical and supervision aspects of a Part of the Project or portion thereof as set forth in the respective Implementation Agreement.
24. “INBIO” means *Instituto Nacional de Biodiversidad*, the biodiversity institute established as an association pursuant to the INBIO Legislation.
25. “INBIO Legislation” means by-laws of INBIO registered in the Borrower Public Registry in Book Number 374 under Record 13205.
26. “Incentive” means a conditional cash transfer to be made by the Borrower to an Eligible SME following the requirements of the Local Development Manual.
27. “INCOFER” means *Instituto Costarricense de Ferrocarriles*, the Borrower’s railways institute established pursuant to the INCOFER Legislation.
28. “INCOFER Legislation” means the Borrower’s Law No. 7001 published in the Gazette on October 1, 1985, as amended to the date of this Agreement.

29. “JAPDEVA” means *Junta de Administración Portuaria y de Desarrollo Económico de la Vertiente Atlántica*, the Borrower’s port authority and development agency for the Atlantic slope region established pursuant to the JAPDEVA Legislation.
30. “JAPDEVA Legislation” means the Borrower’s Law No. 3091 published in the Gazette on February 23, 1963, as amended to the date of this Agreement.
31. “Local Development Manual” means the manual to be issued by the Borrower in accordance with the provisions of Schedule 2, Section I.D.2 of this Agreement.
32. “Marketplace Management Consulting Firm” means a consulting firm or firms to be selected by the Borrower and acceptable to the Bank to assist in the implementation of Parts II.1 and II.2 of the Project.
33. “Marketplace Selection Committee” means the committee referred to in Section I.D.2 of Schedule 2 to this Agreement.
34. “Ministry of Culture and Youth” means the Borrower’s Ministry of Culture and Youth.
35. “Ministry of Economy, Industry and Commerce” means the Borrower’s Ministry of Economy, Industry and Commerce.
36. “Ministry of the Environment and Energy” means the Borrower’s Ministry of the Environment and Energy.
37. “Ministry of Finance” means the Borrower’s Ministry of Finance.
38. “Ministry of Housing and Human Settlements” means the Borrower’s Ministry of Housing and Human Settlements.
39. “Operational Manual” means the manual referred to in Section I. E. of Schedule 2 to this Agreement furnished to the Bank on November 16, 2007.
40. “Participating Entity” means an entity in charge of providing technical cooperation or maintenance and/or operation of investments included in a Part of the Project or portions thereof as set forth in the respective Implementation Agreement.
41. “PCU” means the unit referred to in Section I. A.1 of Schedule 2 to this Agreement.
42. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
43. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated November 9, 2007 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.

44. “Resettlement Framework” means the framework set forth in the Operational Manual defining the procedures for the involuntary resettlement of population to be carried out under the Project and dated November 8, 2007.
45. “Resettlement Plan” means any plan prepared following the requirements of the Resettlement Framework and approved by the Bank.
46. “SENARA” means *Servicio Nacional de Aguas Subterráneas, Riego y Avenamiento*, the Borrower’s irrigation flood control and drainage agency established pursuant to the SENARA Legislation.
47. “SENARA Legislation” means the Borrower’s Law No. 6877 published in the Gazette No. 143 on July 18, 1983, as amended to the date of this Agreement.
48. “SME” means small and/or micro enterprise.
49. “Technical Assistance Grant” means any grant provided to an eligible SME in accordance with the provisions of the Local Development Manual.