

CONFORMED COPY

LOAN NUMBER 3494 VE

Loan Agreement

(Student Loan Reform Project)

between

REPUBLIC OF VENEZUELA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 5, 1994

LOAN NUMBER 3494 VE

LOAN AGREEMENT

AGREEMENT, dated April 5, 1994, between REPUBLIC OF VENEZUELA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) Parts A and B.1 of the Project will be carried out by Fundacion Gran Mariscal de Ayacucho (hereinafter "FUNDACION") with the Borrower's assistance and, as part of such assistance, the Borrower will make available to FUNDACION the proceeds of the Loan as provided in this Agreement;

(C) Part B.2 of the Project will be carried out by Fundacion Escuela de Gerencia Social (hereinafter "ESCUELA") with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ESCUELA the proceeds of the Loan as provided in this Agreement;

WHEREAS the Borrower hereby represents to the Bank that the execution of this Agreement has been duly authorized by the

Borrower's Law "Ley Que Autoriza al Ejecutivo Nacional Para la Contratacion y Ejecucion de Operaciones de Credito Publico Durante el Ejercicio Fiscal 1994" published in the Borrower's Official Gazette, Extraordinary Issue No. 4633 dated September 15, 1993;

WHEREAS the Borrower has made a representation through its letters dated May 7, 1992 and May 21, 1992 to the Bank to the effect that FUNDACION is authorized to make available the proceeds of the Loan to a fiduciary, under a fiduciary agreement, and the fiduciary is authorized to charge interest on the funds it will lend under Part A of the Project at the rate agreed between the Bank and FUNDACION and to be provided in the Student Loan Regulations (as hereinafter defined), and the Bank declares that it has relied on such representation in making the Loan;

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Bank and FUNDACION;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, subparagraph (k) is relettered as subparagraph (l) and a new subparagraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

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) "Administration Contract" means any of the contractual arrangements, satisfactory to the Bank, between FUNDACION and an agency, acceptable to the Bank, whereby the latter agrees to provide administration services (including placement of students, academic monitoring and reporting) in connection with overseas training under Part A of the Project;

(b) "Annual Investment Program" means any of the annual investment programs referred to in Section 2.05 (b) of the FUNDACION Project Agreement (as hereinafter defined) and which program has been approved by the Bank;

(c) "Central Bank" means Banco Central de Venezuela, the Borrower's Central Bank;

(d) "Convenio" means each of the agreements to be entered into between the Fiduciary (as hereinafter defined) and the student beneficiary, for purposes of providing student loans under Part A of the Project, all as provided and in accordance with the Student Loan Regulations (as hereinafter defined);

(e) "ESCUELA Charter" means the Borrower's Decreto 502, dated October 1, 1989, and published in the Borrower's Official Gazette Issue 34.329 dated October 19, 1989;

(f) "Fiduciary" means any financial institution or insurance company, acceptable to the Bank, which is authorized to perform in

the capacity of a fiduciary (fideicomisario) under the Borrower's legislation;

(g) "Fiduciary Agreement" means the agreement (contrato de fideicomiso), satisfactory to the Bank, to be entered into between FUNDACION and the Fiduciary pursuant to Section 2.01 (b) of the FUNDACION Project Agreement (as hereinafter defined);

(h) "Fiscal Year" means the Borrower's fiscal year commencing on January 1 and ending on December 31;

(i) "FUNDACION Charter" means the Borrower's Decreto 1000, dated July 1, 1975, and published in the Borrower's Official Gazette Issue 30.738 dated July 9, 1975;

(j) "FUNDACION Project Agreement" means the agreement between the Bank and FUNDACION of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the FUNDACION Project Agreement;

(k) "Implementation Plan" means the plan of activities, and timetables therefor, setting forth the general frame of reference on which the Annual Investment Programs (as hereinafter defined) will be based, in respect of the implementation of Parts B.1 (a) and (b) and B.2 of the Project, as such plan is included in the letter from the Bank to FUNDACION of even date herewith;

(l) "Legislation" means the Borrower's Ley de Fideicomisos published in the Borrower's Official Gazette dated August 17, 1965, Issue 496, and any other rules and procedures that govern the operation of the Fiduciary including its bylaws;

(m) "Monitoring Indicators" means the set of indicators of project performance as set forth in the letter from the Bank to FUNDACION of even date herewith;

(n) "Project Unit" means the administrative unit established by FUNDACION, through decision of its Junta Directiva on March 25, 1992, as indicated in the letter from FUNDACION to the Bank dated April 7, 1992, and which administrative unit comprises a project manager and three assistants;

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

(p) "Steering Committee" means the committee established by FUNDACION, through decision of its Junta Directiva on March 25, 1992, as indicated in the letter from FUNDACION to the Bank dated April 7, 1992, for purposes of overall project coordination and which committee comprises FUNDACION's directors of the following departments: (i) operations; (ii) finance and management; (iii) computing services; and (iv) internal comptroller;

(q) "Student Loan Regulations" means the set of rules and procedures referred to in Section 6.01 (b) of this Agreement, satisfactory to the Bank, to be approved by FUNDACION for purposes of regulating the provision of student loans under Part A of the Project, including, inter alia, eligibility criteria for selecting beneficiaries; predeparture requirements; placement, monitoring and reporting criteria, participation of the Fiduciary in the making of the student loans; and terms and conditions of the Convenio's collection procedures; as such rules and procedures may be amended from time to time by agreement between FUNDACION and the Bank; and

(r) "Subsidiary Agreement" means the agreement, satisfactory to the Bank, to be entered into between the Borrower, FUNDACION and ESCUELA pursuant to Section 3.01 (b) (ii) of this Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of fifty eight million dollars (\$58,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

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

Section 2.03. The Closing Date shall be December 31, 1999 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

- (i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the

principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on April 15 and October 15 in each year.

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

Section 2.08. The President of FUNDACION is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V 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, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall: (i) cause FUNDACION and ESCUELA to perform in accordance with the provisions of the FUNDACION Project Agreement and the Subsidiary Agreement, respectively, all the obligations of FUNDACION and ESCUELA therein set forth; (ii) take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable FUNDACION and ESCUELA to perform such obligations; and (iii) not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation to the provisions of paragraph (a) above, the Borrower shall: (i) make available to FUNDACION, as a grant, on a timely basis, the proceeds of the Loan, and any additional funds and resources as required by FUNDACION to carry out Parts A and B.1 of the Project; and (ii) make available to ESCUELA, through FUNDACION, as a grant, on a timely basis, the proceeds of the Loan as required by ESCUELA to carry out Part B.2 of the Project under an agreement to be entered into between the Borrower, FUNDACION and ESCUELA, such agreement to include, inter alia, the provisions set forth in Schedule 6 to this Agreement.

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

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and

9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out respectively by FUNDACION pursuant to Section 2.03 of the FUNDACION Project Agreement and by ESCUELA pursuant to the Subsidiary Agreement.

Section 3.04. (a) The Borrower agrees to participate in the annual reviews referred to in Section 2.06 of the FUNDACION Project Agreement and take all necessary action to implement, or to enable FUNDACION and ESCUELA to implement, any remedial actions the Bank may request as a result of the referred annual reviews.

(b) The Borrower shall: (i) exchange views with the Bank on the results and recommendations of the studies referred to under Part B.1 (d) of the Project; (ii) not later than June 30, 1996, December 31, 1996, and March 31, 1997, formulate and furnish to the Bank programs or plans of actions, satisfactory to the Bank, based on the results and recommendations of the studies referred to in Part B.1 (d) (ii), Part B.1 (d) (i) and Part B.1 (d) (iii) of the Project, respectively, and the Bank's comments thereon; and (iii) implement each of the programs or plans of action referred to in paragraph (b) (ii) above in a manner and under a timetable satisfactory to the Bank.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account was made; and
- (iii) enable the Bank's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section including those for the Special Account for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than 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 Bank shall have reasonably requested, including 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; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified, provided, however, that in respect of any of the events referred to in paragraphs (a), (b), (d) and (e) below, the Bank may, in its opinion, restrict the suspension of disbursements of Loan proceeds in respect to the Part or Parts of the Project, or portion or portions thereof, affected by the event in question:

(a) FUNDACION shall have failed to perform any of its obligations under the FUNDACION Project Agreement.

(b) ESCUELA shall have failed to perform any of its obligations under the Subsidiary Agreement.

(c) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that FUNDACION or ESCUELA will be able to perform any of their obligations under the FUNDACION Project Agreement or the Subsidiary Agreement, respectively.

(d) The FUNDACION Charter or the ESCUELA Charter or the Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect, in the opinion of the Bank, materially and adversely the ability of FUNDACION or ESCUELA or the Fiduciary to perform any of their obligations under the FUNDACION Project Agreement or the Subsidiary Agreement or the Fiduciary Agreement, respectively.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of FUNDACION or ESCUELA or for the suspension of any of their operations.

(f) An Administration Contract shall have been terminated without the Bank's consent.

(g) the Fiduciary shall have failed to perform any of its obligations under the Fiduciary Agreement.

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

(a) the events specified in paragraphs (a) or (b) or (d) or (g) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower; and

(b) the event specified in paragraph (e) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Subsidiary Agreement has been entered into between the Borrower and each of FUNDACION and ESCUELA;

(b) the Student Loan Regulations have been adopted, in form and substance satisfactory to the Bank, by FUNDACION; and

(c) FUNDACION has entered into the Fiduciary Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General

Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the FUNDACION Project Agreement has been duly authorized or ratified by FUNDACION, and is legally binding upon FUNDACION, in accordance with each of its terms;

(b) that the Subsidiary Agreement has been duly authorized or ratified by the Borrower, FUNDACION and ESCUELA and is legally binding upon the Borrower, FUNDACION and ESCUELA in accordance with its terms;

(c) that the Student Loan Regulations are valid and legally binding; and

(d) that the Fiduciary Agreement has been duly authorized or ratified by FUNDACION and the Fiduciary, and is legally binding upon FUNDACION and the Fiduciary in accordance with its terms.

Section 6.03. The date July 5, 1994 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.08 of this Agreement, 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
Direccion General
Sectorial de Finanzas Publicas
Edificio Norte, Piso 5
Centro Simon Bolivar
Caracas 1010, Venezuela

Cable address:

Telex:

24215 HDACP

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

INTBAFRAD	248423 (RCA)
Washington, D.C.	82987 (FTCC)
	64145 (WUI) or
	197688 (TRT)

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

REPUBLIC OF VENEZUELA

By /s/ Victor Rodriguez Cedeno
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Javed Burki
Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Goods:	1,600,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally
(a) Part B.1 of the Project		
(b) Part B.2 of the Project	200,000	
(2) Consultants' services (including, inter alia: (i) administra- tion services; and (ii) auditing services requested pursuant to this agreement and the FUNDACION Project Agreement)		
(a) Parts A and B.1 of the Project	7,000,000	100%
(b) Part B.2 of the Project	350,000	100%
Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(3) Training:		
(a) Part A of the Project	45,000,000	100% of foreign expenditures and 10% of local expenditures
(b) Part B.1 of the Project	800,000	100% of foreign expenditures and 10% of local expenditures

(c) Part B.2 of the Project	50,000	100% of foreign expenditures and 10% of local expenditures
(4) Unallocated	3,000,000	
	<hr/>	
TOTAL	58,000,000	
	=====	

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 or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "administration services" means services provided under an Administration Contract.

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 to exceed the equivalent of \$2,000,000, may be made on account of payments made before that date but after April 5, 1993;

(b) payments made for expenditures related to overseas training under Part A of the Project unless FUNDACION has entered into the respective Administration Contract;

(c) payments made for expenditures under Part A of the Project unless the Fiduciary has entered into a valid and legally binding Convenio in relation to the respective personnel or individuals receiving the training; and

(d) payments made for expenditures in respect of the Project unless such expenditures are included in an Annual Investment Program.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in: (a) strengthening and improving FUNDACION's programs of student loans; (b) improving the level of professional, technical and managerial skills in the public and private sectors; and (c) strengthening policy research on human capital and higher education matters.

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

Part A: Student Loan Program

1. Institutionally Sponsored Program

A program to make loans to selected personnel in the public and private sectors, under institutional sponsorship, for approximately 900 student-years of overseas graduate studies and approximately 1800 student-years of local graduate studies in selected areas agreed between FUNDACION and the Bank.

2. Open Loan Program

A program to make loans to selected individuals for approximately 1200 student-years of overseas graduate studies, 900 student-years of local graduate studies and 900 student-years of local undergraduate studies in selected areas agreed between the Borrower and the Bank.

Part B: Institutional Development

1. A program to strengthen the capabilities of FUNDACION, including the acquisition and utilization of equipment and software, and provision of technical assistance, through: (a) the establishment of a management information system to monitor student progress and to support the preparation of reports for planning, policy formulation and the evaluation of institutional performance; (b) the provision of training to professional, technical and support staff of FUNDACION in areas such as: (i) human resource development; (ii) institutional management; (iii) management information systems; (iv) organization and methods; (c) the carrying out of operational studies on: (i) quality assessment and classification of graduate school programs in Venezuela as a basis for an eventual accreditation system; (ii) technical evaluation of screening examinations and procedures utilized by FUNDACION in student selection; (iii) cost-benefit analysis of alternative repayment mechanisms; and (iv) evaluation of the impact of FUNDACION's program of student loans; and (d) the carrying out of policy studies on: (i) labor market analysis; (ii) education policy analysis; and (iii) impact analysis of vocational and technical education and training on productivity and industrial development.

2. A program to strengthen the capabilities of ESCUELA, including acquisition and utilization of equipment and software, through: (a) supporting information collection, and exchange between ESCUELA and similar public training programs and research and information centers; (b) designing and implementing: (i) targeted training programs for state and local level managers in the social sectors; and (ii) new training courses in areas such as public management techniques, decision making, and social management; (c) developing curriculum materials for training and reference manuals; and (d) providing technical assistance to social sector managers and administrators at the local level.

* * *

The Project is expected to be completed by June 30, 1999.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each April 15 and October 15	
beginning October 15, 1997 through April 15, 2007	2,900,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.20
More than three years but not more than six years before maturity	0.40.
More than six years but not more than eleven years before maturity	0.73
More than eleven years but not more than thirteen years before maturity	0.87
More than thirteen years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$200,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Venezuela may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Contracts for goods estimated to cost the equivalent of \$25,000 or less per contract, up to an aggregate amount equivalent to \$300,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for goods estimated to cost more than the equivalent of \$200,000, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Loan Account are to be made on the basis of statements of expenditure.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower, FUNDACION and ESCUELA in carrying out the Project, the Borrower, FUNDACION and ESCUELA shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

3. After the Bank has received evidence satisfactory to it that

the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

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

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A)

provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

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

SCHEDULE 6

Terms and Conditions of the Subsidiary Agreement

1. FUNDACION shall transfer to ESCUELA the portion of the proceeds of the Loan required for the carrying out of Part B.2 of the Project.
2. ESCUELA shall carry out Part B.2 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and educational practices and each Annual Implementation Program and shall provide, or cause to be provided, services and other resources for Part B.2 of the Project.
3. ESCUELA shall: (a) comply with the obligations set forth in Sections 2.03 and 2.04 of the FUNDACION Project Agreement with regard to Part B.2 of the Project; and (b) take all necessary action to enable FUNDACION to comply with the provisions in Section 4.01 of the FUNDACION Project Agreement, and to comply with the provisions set forth in Article III of said agreement.
4. ESCUELA shall procure goods and services required for Part B.2 of the Project, and to be financed out of the proceeds of the Loan, in accordance with the provisions of Schedule 4 to the Loan Agreement.
5. ESCUELA shall participate in the annual reviews referred to in Section 2.06 of the FUNDACION Project Agreement and agree to promptly take or cause to be taken all such remedial action as the Bank shall request to achieve the objectives of the Project or to carry out efficiently Part B.2 of the Project.
6. ESCUELA shall prepare and furnish to FUNDACION all the necessary information to enable FUNDACION to comply with its obligations set forth in Section 2.05 of the FUNDACION Project Agreement.
7. ESCUELA shall maintain an appropriate organizational structure, functions and staff for the efficient implementation and supervision of Part B.2 of the Project including a project coordinator, with qualifications, experience and functions acceptable to the Bank.
8. FUNDACION shall have the right to suspend transfers to ESCUELA if ESCUELA fails to comply with any of its obligations.

