

CONFORMED COPY

LOAN NUMBER 7104-GU

Loan Agreement

(Third Integrated Financial Management Technical Assistance Project)

between

REPUBLIC OF GUATEMALA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated February 10, 2003

LOAN NUMBER 7104-GU

LOAN AGREEMENT

AGREEMENT, dated February 10, 2003, between REPUBLIC OF GUATEMALA (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 (the Project), has requested the Bank to assist in the financing of the Project;

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank, dated September 1, 1999 (the General Conditions) constitute an integral part of this 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) "Acuerdo Gubernativo" means Presidential Accord No. 217-95 of the Borrower, dated May 17, 1995;

(b) "Administrative Arrangement" means the contractual arrangement No. 4-95, dated April 6, 1995, entered into between MOF and CGO which stipulates, *inter alia*, the terms under which MOF and CGO have agreed to coordinate the execution of the Project, as such arrangement may be amended as provided in Section 3.05 of this Agreement;

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

(d) “Eligible Categories” means categories 1, 2, 3, 4 and 5 set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(e) “Eligible Expenditures” means the expenditures for goods and services referred to in Section 2.02 of this Agreement;

(f) “Executive Committee” means the committee established by the *Acuerdo Gubernativo*;

(g) “FMR” means each financial monitoring report prepared in accordance with Section 4.02 (a) of this Agreement;

(h) “IFM-II” means the Integrated Financial Management Project financed in part with the proceeds of Loan No. 4269-GU as provided in the Loan Agreement entered into between the Borrower and the Bank on September 11, 1998;

(i) “Implementation Letter” means the letter of even date herewith from the Borrower to the Bank setting forth the Project monitoring indicators referred to in Section 3.03 (a) of this Agreement;

(j) “MOF” means the Borrower’s Ministry of Finance (*Ministerio de Finanzas Públicas*);

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

(l) “UNDP Agreement” means the agreement entered into between: (i) MOF and CGO on behalf of the Borrower; and (ii) the United Nations Development Programme (UNDP), dated March 4, 1996, and as amended on November 13, 1998, whereby UNDP is acting as the Borrower’s agent for the procurement of goods and services under IFM-II, as such agreement shall be amended as provided in Section 3.06 (a) 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 this Agreement, an amount equal to twenty-nine million seven hundred fifty thousand Dollars (\$29,750,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. 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 and to be financed out of the proceeds of the Loan and in respect of interest and the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

Section 2.03. The Closing Date shall be September 30, 2006 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 front-end fee in an amount equal to one percent (1%) of the amount of the Loan. The Borrower agrees that on or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on March 1 and September 1 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (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 said 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 Section 2.01(7) of 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 in respect of 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 such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project through the Executive Committee (in accordance with the *Acuerdo Gubernativo* and the Administrative Arrangement), with due diligence and efficiency and in conformity with appropriate administrative, financial

management and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.03. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the Implementation Letter, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about February 15 of each year during the implementation of the Project a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by April 15 of each year during the implementation of the Project or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of said report and the Bank's views on the matter.

Section 3.04. 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 Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project;

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan; and

(c) carry out an in-depth review (the mid-term review), jointly with the Bank, on the progress achieved in the implementation of the Project.

Section 3.05. (a) In the event that CGO is vested with legal personality after the date of this Agreement, the Borrower, through MOF, shall, not later than thirty 30 days after the occurrence of said event, cause the Administrative Arrangement to be amended on terms and conditions satisfactory to the Bank; and

(b) in case the amendment referred to in the preceding paragraph (a) shall occur, the Borrower shall: (i) exercise its rights and carry out its obligations under the Administrative Arrangement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and (ii) except as the Bank may otherwise agree, not assign, amend, abrogate, suspend, waive, terminate or fail to enforce the Administrative Arrangement or any provision thereof.

Section 3.06. (a) For purposes of providing assistance to the Borrower in the procurement of goods and services under the Project, the Borrower shall amend the UNDP Agreement on terms and conditions satisfactory to the Bank, including, *inter alia*, UNDP's obligation to maintain, on behalf of the Borrower, records and accounts adequate to reflect the operations, resources and expenditures of the Project, in order to enable the Borrower to comply with its obligations under Sections 4.01 and 4.02 of this Agreement.

- (b) (i) The Borrower shall exercise its rights and carryout its obligations under the UNDP Agreement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and
- (ii) except as the Bank may otherwise agree, the Borrower shall not assign, amend, abrogate, suspend, waive, terminate or fail to enforce the UNDP Agreement or any provision thereof.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested including as part of the information to be provided in each said report, a management letter concerning the Recipient's internal controls; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal

controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall prepare in accordance with guidelines acceptable to the Bank and furnish to the Bank a financial monitoring report, in form and substance acceptable to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the planned and actual uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 30 days after the end of the first calendar trimester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar trimester; and thereafter, each FMR shall be furnished to the Bank not later than 30 days after each subsequent calendar trimester, and shall cover such calendar trimester.

ARTICLE V

Remedies of the Bank

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

(a) CGO and/or the Borrower shall have failed to perform any of their obligations under the Administrative Arrangement;

(b) the *Acuerdo Gubernativo* shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner so as to affect, in the opinion of the Bank, the ability of the Borrower to achieve the Project's objectives; and

(c) UNDP shall have failed to perform any of its obligations under the UNDP Agreement.

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 UNDP Agreement has been amended in form and substance satisfactory to the Bank; and

(b) an annual action plan for the implementation of the Project during a consecutive twelve-month period (including at least six months after the Effective Date) has been presented to the Bank and has been found satisfactory by the Bank.

Section 6.02. The date April 11, 2003 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Finanzas Públicas
8a Avenida y 21 Calle
Centro Cívico,
Zona 1, Guatemala

Cable address:	Telex:	Facsimile:
MINFIP Guatemala, Guatemala	9207 MINFIO GU	(502) 230-0333

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

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

REPUBLIC OF GUATEMALA

By /s/ Eduardo Weymann
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jane Armitage
Acting Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	8,412,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost); and for local expenditures for other items procured locally, please see paragraph 4 of this Schedule
(2) Consultants' services:		
(a) under Part A of the Project	5,600,000)	
(b) under Part B of the Project	6,800,000)	
(c) under Part D of the Project	2,300,000)	100%
(d) under Parts C, E and F of the Project	2,500,000)	
(3) Training	1,420,000	100%

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(4) Operational costs	490,000	70% until disbursements under this Category have reached an amount of \$280,000; 60% until disbursements under this Category have reached an amount of \$380,000; and 40% thereafter
(5) Fees for audits referred to in Section 4.01 (b) of this Agreement	55,000	100%
(6) Unallocated	1,875,500	
(7) Front-end fee	297,500	Amount due under Section 2.04 of this Agreement
(8) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09 (c) of this Agreement
TOTAL	<u>29,750,000</u>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

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

(c) the term “training” means the non-consultant expenditures incurred by the Borrower in connection with the carrying out of the training activities described under Parts A, B, C, D, E and F of Schedule 2 to this Agreement, including travel costs and per

diem of trainers and trainees, rental of training facilities and equipment, and training materials; and

(d) the term “operational costs” means expenditures incurred by the Executive Committee and its support staff in connection with the carrying out of its functions and responsibilities as provided in the *Acuerdo Gubernativo* including: office supplies and utilities, office rent, and the salaries of such support staff (which expenditures would not have been incurred absent the Project).

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$2,975,000, may be made in respect of Categories 1, 2, 3, 4, and 5 set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures within twelve months prior to the date of this Agreement, but in no case made prior to February 5, 2002.

4. The percentage of “local expenditures for other items procured locally” to be financed by the Bank shall be: (a) 100% in case of goods procured through the services of a tax-exempt procurement agent; or (b) 88% in case of all other goods.

5. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) contracts for goods costing less than \$150,000; (b) contracts for consulting firms costing less than \$100,000; (c) contracts for individual consultants costing less than \$50,000 equivalent each; and (d) training and operating costs, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to extend and deepen the Borrower's financial sector reforms being pursued under IFM-II with the aim of increasing the effectiveness, efficiency, and transparency of public financial management.

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: Consolidating Integrated Financial Management Reform

Provision of technical assistance, training and equipment as necessary to: (i) continue expanding SIAF coverage throughout the Borrower's central government to include all decentralized agencies, social funds and congress; (ii) expand the reach of SIAF down to the Borrower's budget execution units within ministries and agencies; (iii) complete the reform agenda (being implemented under IFM-II) in most of the original SIAF sub-systems; and (iv) deepen the Borrower's budget reform (designed and being implemented under Part A. 1 (a) of IFM-II) through the strengthening of macro-budget controls and the development of a medium term expenditure framework.

Part B: Strengthening the Municipal Government

Provision of technical assistance, training and equipment necessary to support the expansion and implementation of SIAF at the municipal level, including *inter alia*: (i) design and installation of simplified financial management systems for all municipalities; (ii) organizational restructuring of municipalities and design and preparation of related procedural manuals to implement the above mentioned systems; and (iii) design and implementation of a training program for municipal-level staff.

Part C: Modernizing Human Resource Management

Provision of technical assistance, training and equipment for strengthening the Borrower's human resource management capacity through: (i) design and implementation of a decentralized system of payroll liquidation; (ii) design and implementation of a modern and unified register and database of public employee's personal records; and (iii) strengthening of the Borrower's National Service Office (ONSEC) and line units to manage personnel registries and payroll operations.

Part D: Strengthening of the Comptroller's Office

Provision of technical assistance, training and equipment to continue with the institutional strengthening of the CGO (being implemented under IFM- II) through *inter alia*: (i) reengineering of procedures and manuals for newly reorganized divisions and refinement of human resource policies; (ii) completion of the creation of internal audit units in all ministries, decentralized agencies and selected municipalities; (iii) improvement in transparency and public access to information, including the design of adequate procedures to handle citizen complaints; and (iv) expansion of the audit training program.

Part E: Electronic Government

Provision of technical assistance, training and equipment to support the implementation of the Borrower's electronic government initiative through the design of a national strategic framework including, *inter alia*: (i) drafting of an electronic government policy and a strategic plan for the public sector; (ii) drafting of legislation in electronic commerce; (iii) assessment of the telecommunications infrastructure of the Borrower's national commission of science and technology (*Comision Nacional de Ciencia y Tecnología*); (iv) restructuring and strengthening of the Borrower's internet portal; (v) integration of SIAF into MOF's website and subsequently MOF's website into the Borrower's main portal; (vi) electronic integration of key municipalities into the Borrower's portal; (vii) design of necessary infrastructure for implementation of digital signatures; (viii) development of on-line and computer-based training systems for SIAF applications; (ix) design and implementation of a secure on-line procurement system; (x) transformation of the SIAF communications network into the Borrower's intranet; (xi) incorporation of the Borrower's human resources systems into its intranet; and (xii) implementation of a unified electronic library of finance laws, regulations and resolutions.

Part F: Project Coordination

Strengthening of the operational capacity of the Executive Committee through the provision of training, technical assistance (including audit services for purposes of Section 4.01 of this Agreement) and the acquisition of equipment required therefor.

* * *

The Project is expected to be completed by March 31, 2006.

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 shall 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) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share</u> <u>(Expressed as a %)</u>
On each March 1 and September 1	
Beginning March 1, 2008 through March 1, 2018	4.55%
On September 1, 2018	4.45%

2. If the proceeds of the Loan shall not 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 as follows:

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

(b) Any withdrawal made 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 shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts 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) Withdrawals made 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 subparagraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such subparagraph 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 principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be 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 said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

SCHEDULE 4

Procurement

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of Contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$150,000 equivalent or more each.

(b) Preference for Domestically Manufactured Goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$150,00 equivalent per contract, up to an aggregate amount not to exceed \$1,500,000 equivalent, may be procured under

contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Procurement of all goods under this Part C.1 shall be carried out using standard bidding documents acceptable to the Bank.

2. International or National Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (a) each contract for goods to be awarded under Part B.1 of this Section; (b) the first two contracts of each calendar year during the implementation of the Project awarded under Part C.1. (a) of this Section; and (c) the first two contracts awarded under Part C.2. of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Single Source Selection

Maintenance services for information systems for the Project which are estimated to cost less than \$500,000 equivalent per contract, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

2. Individual Consultants

Services rendered by individual consultants to be carried out under: (a) Part A of the Project costing in the aggregate no more than \$5,600,000 equivalent; (b) Part B of the Project costing in the aggregate no more than \$6,800,000 equivalent; (c) Part C of the Project costing in the aggregate no more than \$2,300,000 equivalent; and (d) Parts C, E and F of the Project costing in the aggregate no more than \$2,500,000 equivalent, 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 Bank of the Selection of Consultants

1. Selection Planning

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

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost less than the equivalent of \$100,000, the terms of reference for the assignment shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

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

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

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.

