

CONFORMED COPY

LOAN NUMBER 3594 CR

Loan Agreement

(Third Structural Adjustment Loan)

between

REPUBLIC OF COSTA RICA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 19, 1993

LOAN NUMBER 3594 CR

LOAN AGREEMENT

AGREEMENT, dated April 19, 1993, between REPUBLIC OF COSTA RICA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS: (A) the Bank has received a letter dated November 17, 1992 from the Borrower describing a program of objectives, policies and actions, taken and to be taken, designed to achieve structural adjustment of the Borrower's economy (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in the financing of urgently needed imports required during such execution; and

(B) on the basis, inter alia, of the foregoing, the Bank has decided in support of the Program to provide such assistance to the Borrower by making the Loan in three tranches as hereinafter provided;

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 thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 11, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Loan pursuant to the provisions of Schedule 1 to the Loan Agreement.";

(b) Section 9.07 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the program referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.";

(c) The last sentence of Section 3.02 is deleted; and

(d) 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 their respective meanings therein set forth and the following additional terms have the following meanings:

(a) "AGEF" means the Borrower's Banking Supervision Agency, Auditoria General de Entidades Financieras;

(b) "AGEF's Action Plan" means the action plan described in the Borrower's document entitled "Plan de Accion: Area de Supervision del Sistema Financiero", attached to the Borrower's letter to the Bank dated November 13, 1992;

(c) "CEMPASA" means the Borrower's Cementos del Pacifico Sociedad Anonima, the cement public company controlled by the Borrower;

(d) "Consejo" means the Central American Council on Tariffs and Customs, El Consejo Arancelario y Aduanero Centroamericano, created under the Treaty (as hereinafter defined);

(e) "Displaced Workers Program" means the Borrower's plan for retraining displaced workers from the public sector, described in its document entitled "Propuesta Sobre Programas Especificos para Trabajadores Desplazados y Sobre Las Reformas Organizacionales y de Financiamiento del Instituto Nacional de Aprendizaje", attached to the Borrower's letter to the Bank dated November 13, 1992;

(f) "Exempted Items" is the list of items (partidas arancelarias) referred to in the Borrower's letter to the Bank dated November 12, 1992;

(g) "Labor Mobility Program" means the Borrower's program of objectives, actions and targets designed to achieve a reduction of staff positions in the public sector, as such program is described in the Borrower's document entitled "El Programa de Eliminacion de Plazas Publicas en Costa Rica", attached to the Borrower's letter to the Bank dated November 13, 1992;

(h) "FANAL" means the Borrower's Fabrica Nacional de Licores, the liquor public company controlled by the Borrower;

(i) "FERTICA" means the Borrower's Fertilizantes de Costa Rica, the fertilizer public company controlled by the Borrower;

(j) "First Tranche", "Second Tranche" and "Third Tranche" means the amount of the proceeds of the Loan allocated, from time to time, to the Categories (1), (2), and (3), respectively, of the Table and to be released by the Bank: (A) in the case of Category (1), on or after the Effective Date; and (B) in the cases of Categories (2) and (3), in accordance with paragraphs 5 and 6, respectively, of Schedule 1 to this Agreement;

(k) "LSMS Data" means the data to be obtained from the implementation of the Living Standards Measurement Survey described in the Borrower's document "Encuesta Sobre Inversion Social en Costa Rica Antecedentes y Situacion Actual", dated October, 1992, as such document is attached to the Borrower's letter to the Bank dated November 13, 1992;

(l) "Pilot Entities" means the following Borrower's entities: Ministry of Agriculture, Agrarian Development Institute (Instituto de Desarrollo Agrario), National Council for Production (Consejo Nacional de Produccion), Water Company (Acueductos y Alcantarillados), Social Security Agency (Caja Costarricense de Seguro Social) and Ministry of Health;

(m) "Pilot Program" means the Borrower's ongoing program in the Pilot Entities designed to establish an integrated financial management system in order to increase budgetary flexibility, incorporate greater programmatic control to public expenditures and strengthen control and monitoring systems; as such program is described in the Borrower's document entitled "Programa de Reforma Presupuestaria", attached to the Borrower's letter to the Bank dated November 13, 1992;

(n) "Proposed Complementary Pensions Law" means the Draft Law entitled "Proyecto de Ley Regimen Privado de Pensiones Complementarias", attached to the Borrower's letter to the Bank dated November 13, 1992;

(o) "Proposed Deregulation Law" means the Draft Law entitled "Proyecto de Ley de Promocion de la Competencia y Defensa Efectiva del Consumidor", attached to the Borrower's letter to the Bank dated December 1, 1992;

(p) "Proposed Law of Economic Democratization" means the Borrower's Draft Law entitled "Proyecto de Ley de Democratizacion del Sector Publico", attached to the Borrower's letter to the Bank dated November 13, 1992;

(q) "Proposed Property Tax Reform Law" means the Borrower's Draft Law entitled "Proyecto de Ley Sobre el Impuesto Territorial", attached to the certificate, dated February 17, 1993 and received by the Bank, issued by the Secretary (Primer Secretario) of the Legislative Assembly and which certificate is referred to in the Borrower's letter to the Bank dated March 4, 1993;

(r) "Proposed Tax Efficiency Law" means the Borrower's Draft Law entitled "Proyecto de Ley de Eficiencia Tributaria", attached to the Borrower's letter to the Bank dated March 4, 1993;

(s) "Public Commercial Banks" means Banco Nacional de Costa Rica, Banco Anglo-Costarricense, Banco de Costa Rica and Banco de Credito Agricola de Cartago, or any successor thereto;

(t) "Registry" means the Borrower's Sistema de Beneficiarios, National Registry of Beneficiaries, as described in the Borrower's document entitled "Analisis de Validacion del Sistema de Seleccion de Beneficiarios" dated October 1992, as such document is attached to the Borrower's letter to the Bank dated November 13, 1992;

(u) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M. No. 34/Rev. 3 (1986);

(v) "Subsidized Credit" means credit granted at interest rates lower than the six-month average deposit interest rate paid by all Public Commercial Banks for a comparable period (as such rate is published by the Central Bank of Costa Rica) plus three (3) percentage points;

(w) "Table" means the Table set forth in paragraph 1 of Schedule 1 to this Agreement;

(x) "Tax Base Program" means the provisions to rationalize tax incentive schemes and extend the application of the Borrower's sales tax (impuesto de ventas), as such provisions are included in the document entitled "Programa Ampliacion de Base Tributaria" and which document is attached to the Borrower's letter to the Bank dated November 13, 1992; and

(y) "Treaty" means the Agreement on the Central American Tariff and Custom Regime, Convenio Sobre el Regimen Arancelario y Aduanero Centroamericano, entered into force on September 17, 1985, and published in the Ordenamiento Juridico de la Integracion Economica Regional en America Latina (1986) of the Institute for Latin American Integration.

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 one hundred million dollars (\$100,000,000), 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. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement.

Section 2.03. The Closing Date shall be April 30, 1995 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 percent (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 February 15 and August 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 2 to this Agreement.

Section 2.08. (a) The Borrower's Central Bank 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.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts its Central Bank with responsibility for the preparation of withdrawal applications under the Loan and for the collection of the documents and other evidence to be furnished to the Bank in support of such applications; such withdrawal applications shall to the extent practicable be consolidated so as to apply for withdrawal of aggregate amounts of not less than \$1,000,000 equivalent.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 4 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Borrower shall maintain or cause to be maintained records and separate accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Loan.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section 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 ninety days after the date in which the amount

allocated from time to time under each category of the Table
has been fully withdrawn, a certified copy of the report of such audit
by said auditors, of such scope and in such detail as the Bank
shall have reasonably requested; 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.

(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 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
audits 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.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (1) of the General Conditions, the
following additional event is specified, namely, that a situation has arisen which
shall make it improbable that the Program, or a significant part thereof, will be
carried out.

ARTICLE V

Effective Date; Termination

Section 5.01. 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 macroeconomic policy framework of the Borrower is consistent with the
objectives of the Program.

(b) The Borrower shall have enacted legislation which substantially adopts
the provisions of the Proposed Deregulation Law and such legislation is in full force
and effect.

(c) The Borrower shall have enacted legislation which substantially adopts
the provisions of the Proposed Law of Economic Democratization and such legislation is
in full force and effect.

(d) Any action of the Program taken prior to this Agreement has not been
modified in a manner which, in the opinion of the Bank, is inconsistent with the
policies or objectives of the Program.

Section 5.02. The date July 19, 1993 is hereby specified for the purposes of
Section 12.04 of the General Conditions.

ARTICLE VI

Representatives of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.08 (a) of this Agreement, the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
P.O. Box 5016-1000
San Jose, Costa Rica

Telex:

2277 MIN HAC

Fax:

(506) 338267

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

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 COSTA RICA

By /s/ Rodrigo Mendez Mata

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ S. Shahid Husain

Regional Vice President
Latin America and the Caribbean

Carlos Vargas Pagan
Honorary Witness

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) Imported goods to be financed under the First Tranche	35,000,000	100% of foreign expenditures
(2) Imported goods to be financed under the Second Tranche	35,000,000	100% of foreign expenditures
(3) Imported goods to be financed under the Third Tranche	30,000,000	100% of foreign expenditures
<hr/>		
TOTAL	100,000,000 =====	

2. For the purposes of this Schedule the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods supplied from the territory of any country other than that of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) expenditures for goods included in the following SITC groups or subgroups, or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Subgroup	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semi-precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, elements (cartridges), non-irradiated nuclear reactors
fuel for		
728.43	-	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)

(b) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;

(c) payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of \$20,000,000 may be made on account of payments made for such expenditures before that date but after December 19, 1992;

(d) expenditures for goods procured under contracts costing less than \$25,000 equivalent;

(e) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Bank shall have financed or agreed to finance;

(f) expenditures for goods intended for a military or para-military purpose or for luxury consumption; and

(g) any imports eligible for financing under the Loan unless the Borrower shall have furnished to the Bank a statement from independent auditors acceptable to the Bank showing in terms satisfactory to the Bank that such imports: (i) have been paid for; and (ii) have entered into the country.

4. Withdrawals for expenditures under contracts for the procurement of goods estimated to cost less than \$5,000,000 may be permitted by the Bank upon the basis of statements of expenditure under such terms and conditions as the Bank shall specify.

5. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Loan under Category (2) of the Table, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank (such evidence to include legal opinions if required by the Bank): (a) with the progress achieved by the Borrower in the carrying out of the Program; (b) that the macroeconomic policy framework of the Borrower is consistent with the objectives of the Program; and (c) that the actions described in Part A of Schedule 4 to this Agreement have been taken in form and substance satisfactory to the Bank.

6. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Loan under Category (3) of the Table, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank (such evidence to include legal opinions if required by the Bank): (a) with the progress achieved by the Borrower in the carrying out of the Program; (b) that the macroeconomic policy framework of the Borrower is consistent with the objectives of the Program; and (c) that the actions described in Parts A and B of Schedule 4 to this Agreement have been taken in form and substance satisfactory to the Bank.

7. If, after the exchange of views described in paragraphs 5 or 6 above, the Bank shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory or that the macroeconomic policy framework of the Borrower is not consistent with the objectives of the Program and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Bank, or the macroeconomic framework of the Borrower continues to be not consistent with the objectives of the Program, then the Bank may, by notice to the Borrower, cancel the unwithdrawn amount of the Loan or any part thereof.

SCHEDULE 2

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
August 15, 1997	2,320,000
February 15, 1998	2,410,000
August 15, 1998	2,500,000
February 15, 1999	2,595,000
August 15, 1999	2,695,000
February 15, 2000	2,795,000
August 15, 2000	2,905,000
February 15, 2001	3,015,000
August 15, 2001	3,130,000
February 15, 2002	3,245,000
August 15, 2002	3,370,000
February 15, 2003	3,500,000
August 15, 2003	3,630,000
February 15, 2004	3,770,000
August 15, 2004	3,915,000
February 15, 2005	4,060,000
August 15, 2005	4,215,000
February 15, 2006	4,375,000
August 15, 2006	4,540,000
February 15, 2007	4,715,000
August 15, 2007	4,895,000
February 15, 2008	5,080,000
August 15, 2008	5,275,000
February 15, 2009	5,475,000
August 15, 2009	5,680,000
February 15, 2010	5,895,000

* 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 11 years before maturity	0.73
More than 11 years but not more than 13 years before maturity	0.87
More than 13 years before maturity	1.00

SCHEDULE 3

Procurement

1. Contracts for the procurement of goods estimated to cost the equivalent of \$5,000,000 or more each shall be awarded through international competitive bidding 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 1992 (the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

(i) a notice in the United Nations publication, Development Business;
or

(ii) an advertisement in a newspaper, periodical or technical journal
of wide international circulation; or

(iii) a notice to local representatives of countries and territories
referred to in the Guidelines, that are potential suppliers of the
goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Subject to paragraph 3 below, contracts for the procurement of goods estimated to cost the equivalent of less than \$5,000,000 shall be awarded:

(a) by purchasers required to follow the Borrower's public procurement procedures for the importation of goods, on the basis of such procedures, provided that such procedures shall have been found acceptable by the Bank; and

(b) by other purchasers, in accordance with established commercial practice, provided that such contracts shall be awarded on the basis of evaluation and comparison of quotations obtained from suppliers, except that direct contracting procedures acceptable to the Bank may be used where considered appropriate under paragraph 3.5 of the Guidelines.

3. Subject to the prior approval of the Bank, commonly traded commodities may be procured through organized international commodity markets or other channels of competitive procurement acceptable to the Bank, in accordance with procedures acceptable to the Bank; provided, however, that: (a) in respect of petroleum imports under existing contracts entered into with oil suppliers, the Bank shall finance out of the Loan an amount not to exceed, per unit, the average between lower and higher FOB (free on board) prices as reflected in the Platt's Oilgram for the US Gulf Coast or the Caribbean, as applicable, for the relevant date of loading (with due adjustment for type and quality of crude or petroleum product) plus the ocean freight rates that would apply to the largest tankers that can be handled at the receiving terminal, insurance and inspection costs, and ocean losses allowances; or (b) in respect of

other commodity imports under existing contracts entered into with the corresponding suppliers, the Bank shall finance out of the Loan an amount not to exceed the average FOB (free on board) price posted (for the commodity in question and for the relevant date of shipment) by a commodity exchange acceptable to the Borrower and the Bank plus the additional costs referred to above, if applicable.

4. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Bank shall reasonably request.

5. With respect to each contract referred to in paragraphs 2 and 3 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect thereof, such documentation and information as the Bank may reasonably request to support withdrawal applications in respect of such contract.

6. The provisions of the preceding paragraph 5 of this Schedule 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.

SCHEDULE 4

Referred to in Paragraphs 5 and 6
of Schedule 1 to this Agreement

Part A:

1. The Borrower shall have brought CEMPASA and FERTICA to the point of sale.

2. The Borrower shall have completed a study on its petroleum sector under terms of reference acceptable to the Bank and submitted to the Bank an action plan, based on the results and recommendations of the referred study and an exchange of views between the Borrower and the Bank on such results and recommendations, for the reform of its petroleum sector.

3. The staff reduction targets for 1993 included in the Labor Mobility Program shall have been substantially achieved.

4. The Borrower shall have submitted to the Bank an action plan, based on the evaluation by the Bank and the Borrower of the results of the Pilot Program, for a comprehensive reform of its budgetary system.

5. The Borrower shall have: (a) enacted legislation which substantially adopts the provisions of the Proposed Tax Efficiency Law and the Proposed Property Tax Reform Law and such legislation shall be in full force and effect; and (b) through its Executive Branch, submitted to its Legislative Assembly a proposed bill or bills of law incorporating the provisions included in the Tax Base Program.

6. The Borrower shall have enacted legislation which substantially adopts the provisions of the Proposed Complementary Pensions Law and such legislation is in full force and effect.

7. The Borrower shall have revised its import tariffs to the effect that the maximum tariff shall not exceed twenty percent (20%) and the minimum tariff shall not be lower than ten percent (10%) of the dutiable value of all imported items, except for the Exempted Items; provided, however, that if as a result of a binding decision by the Consejo under article 26 of the Treaty, the Borrower shall have been unable to apply the above minimum tariff on any specific item or items, in such case the Borrower shall have taken alternative measures to achieve the objectives of the Program.

8. The Borrower shall have: (a) enacted legislation which adopts a comprehensive

regulatory framework for public services and all necessary regulations related thereto and such legislation and regulations shall be in full force and effect; and (b) submitted to the Bank a plan to restructure the Borrower's SNE (Servicio Nacional de Electricidad), or its successor, in accordance with its new functions pursuant to the legislation and regulations referred to in paragraph (a) above.

9. The Borrower shall have adopted a duty draw-back system based on criteria and procedures agreed between the Borrower and the Bank.

10. The Borrower shall have made progress in the implementation of the AGEF's Action Plan.

11. The Borrower shall have enacted legislation, and regulations related thereto, for extending AGEF's authority over credit cooperatives, and such legislation and regulations shall be in full force and effect.

12. The Borrower shall have enacted legislation enabling the operation of private insurance companies in Costa Rica not later than thirty (30) months from the date of publication of the respective legislation and establishing a supervisory body for all insurance institutions; and such legislation shall be in full force and effect.

13. The Borrower shall have: (a) adopted an action plan, based on the results from the Registry and the LSMS Data, to improve the targeting and coverage of its social programs; and (b) commenced the implementation of such action plan.

14. The Borrower shall have made progress in the implementation of the Displaced Workers Program.

15. The Subsidized Credit granted by Public Commercial Banks from any of their resources shall be maintained, at all times, at the June 30, 1992 level of 9,594,000,000 colones.

16. The Borrower shall have implemented a system whereby private finance companies (entidades financieras de caracter no bancario) are granted access to the Central Bank as lender of last resort in cases of temporary liquidity shortfalls.

17. The legislation referred to in Section 5.01 (b) of this Agreement is being implemented in a manner consistent with the objectives of the Program.

Part B:

1. The Borrower shall have brought FANAL to the point of sale.

2. The Borrower shall have made progress in the implementation of the action plan referred to in Paragraph 2 of Part A of this Schedule.

3. The staff reduction targets for 1994 included in the Labor Mobility Program shall have been substantially achieved.

4. The Borrower shall have made progress in the implementation of the action plan referred to in paragraph 4 of Part A of this Schedule.

5. The Borrower shall have enacted legislation which substantially adopts the provisions of the proposed bill or bills of law referred to in paragraph 5 (b) of Part A of this Schedule and such legislation shall be in full force and effect.

6. The Borrower shall have revised its import tariffs to apply the tariff range in paragraph 7 of Part A of this Schedule to tariffs imposed on imported footwear, tires (llantas) and textiles.

7. The Borrower shall have made progress in the implementation of the plan referred to in paragraph 8 (b) of Part A of this Schedule.

8. The Borrower shall have made progress in the implementation of the duty draw-back system referred to in paragraph 9 of Part A of this Schedule.

9. The Borrower shall have completed the implementation of the AGEF's Action Plan.

10. The Borrower shall have enacted all necessary regulations relating to the legislation referred to in paragraph 12 of Part A of this Schedule and made operational the supervisory body established under such legislation.

11. The Borrower shall have made progress in the implementation of the action plan referred to in paragraph 13 of Part A of this Schedule.

12. The Borrower shall have made progress in the implementation of the Displaced Workers Program.

13. The legislation referred to in Section 5.01 (b) of this Agreement is being implemented in a manner consistent with the objectives of the Program.

