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CONFORMED COPY

LOAN NUMBER 7124-SLU

Loan Agreement

(OECS Education Development Project)

between

SAINT LUCIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION

AND DEVELOPMENT

Dated September 26, 2002

LOAN NUMBER 7124-SLU

LOAN AGREEMENT

AGREEMENT dated September 26, 2002, between SAINT LUCIA (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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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 financing the Project;

(B)

the Borrower has also requested the International Development Association (the Association) to provide additional financial assistance towards financing the Project and, by the Development Credit Agreement of the same date herewith between the Borrower and the Association (the Development Credit Agreement), the Association is agreeing to provide such assistance in an aggregate principal amount equivalent to four million five hundred Special Drawing Rights (SDR 4,500,000) (the Credit); and

(C)

the Borrower and the Bank intend, to the extent practicable, that the proceeds of the Credit be disbursed on account of expenditures for the Project before disbursements of the proceeds of the loan provided for in this Agreement (the Loan) are made; and

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)

"EC Dollars" and "EC\$" mean the lawful currency of the Borrower;

(b)

"EMIS" means the computer-based education management system for the storage, processing and sharing of data regarding education in the Borrower's territory;

(c)

"Financial Monitoring Report" and "FMR" mean each report prepared in accordance with Section 4.02 of this Agreement;

(d)

"Implementation Letter" means the letter of even date herewith from the Borrower to the Bank setting forth the monitoring and evaluation indicators for the Project;

(e)

"MOE" means the Borrower's Ministry of Education, Human Resource Development, Youth and Sports or any successor thereto;

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(f)

"Operational Manual" means the manual referred to in Section 3.01 (b) (i) of this Agreement;

(g)

"PMU" means the Project management unit maintained within the MOE for the purposes referred to in Section 3.04 of this Agreement;

(h)

"Project Account" means the account referred to in Section 3.03 of this Agreement;

(i)

"Project Preparation Advance" means the Project preparation advance granted by the Association to the Borrower pursuant to the letter of agreement dated March 12, 2002;

(j)

"School Improvement Subprojects" means a specific project which meets the eligibility criteria set forth in the School Improvement Projects Operating Manual (as hereinafter defined), consisting of the acquisition and utilization of goods and technical assistance in order to increase student learning and motivation in, and improve performance of, Secondary Education in public and assisted schools in the Borrower's territory;

(k)

"School Improvement Projects Operating Manual" means the manual referred to in Section 3.01 (b) (ii) of this Agreement;

(l)

"Secondary Education" means the education services provided in the Borrower's territory for Forms one to five (corresponding to the seventh to eleventh grades of schooling);

(m)

"Selected Schools" means the secondary schools which meet the criteria set forth in the Operational Manual to be eligible for expansion works or rehabilitation works under the Project; and

(n)

"Special Account" means the account referred to in Section 2.02 (b) 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, an amount equal to six million Dollars (\$6,000,000).

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 works, goods and services required for the Project and to be financed out of the proceeds of the Loan, and in respect of the fee referred to in Section 2.04 of this Agreement.

(b)

The Borrower may, for the purposes of the Project, open and maintain in Dollars

a

special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and

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payments out of the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c)

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

Section 2.03. The Closing Date shall be September 30, 2008 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 fee in an amount equal to one percent (1%) of the amount of the Loan. 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 said 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 other charges shall be payable semiannually in arrears on February 15 and August 15 in each year.

Section 2.08. 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 2.09. (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

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(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.

Section 2.10. Without limitation upon the provisions of paragraph (a) of Section 2.09 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be changed from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through the PMU with due diligence and efficiency and in conformity with appropriate educational, administrative, financial, engineering, and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b)

Without limitation to the provisions of paragraph (a) above, the Borrower shall carry out the Project in accordance with:

(i)

an operational manual, satisfactory to the Bank, containing the detailed procedures for the implementation of the Project, including, inter alia

:

(A) the organization, terms of reference and staffing of the PMU; (B) the institutional organization and flow of funds; (C) the financial management procedures; (D) terms of reference for all PMU staff; (E) standard bidding documents and letters of invitation to consultants; and (F) mandatory safeguards and mitigation actions for the construction of the new schools, which safeguards and actions would be applied to

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prevent or mitigate any possible negative environmental impact said construction might otherwise cause, such as, in particular, increase in deforestation, pollution of groundwater, negative impacts on endangered species, increased soil erosion, impacts on parks and protected areas, and encroachment on natural habitats; and

(ii)

a manual, satisfactory to the Bank, which shall contain, inter alia

:

(A)

the detailed rules and procedures for the financing mechanism of the School Improvement Subprojects; and (B) procedures for monitoring and evaluation of School Improvement Subprojects.

(c)

Except as the Bank shall otherwise agree, the Borrower shall not amend, waive or fail to enforce the Operational Manual or the School Improvement Projects Operating Manual or any provision thereof. In case of any conflict between the provisions of this Agreement and those of the Operational Manual or the School Improvement Projects Operating Manual, the provisions of this Agreement shall prevail.

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

Section 3.03. Without limitation to the provisions of Section 3.01 above, the Borrower shall make available an amount in EC Dollars equivalent to two million eight hundred seventy thousand Dollars (\$2,870,000) as counterpart funds for the Project. To that effect, the Borrower shall establish and thereafter maintain, until the completion of the Project, an account (the Project Account) in a commercial bank, on terms and conditions acceptable to the Bank, with an initial deposit of seventy five thousand Dollars (\$75,000) prior to the Effective Date.

Section 3.04. (a) The Borrower shall maintain a Project management unit (the PMU) within the MOE during the implementation of the Project, with functions and responsibilities satisfactory to the Bank which shall include,

inter alia

:

(i)

coordination and implementation of the Project;

(ii)

monitoring and evaluation of the Project;

(iii)

processing of documentation required for disbursement of the Loan and Credit proceeds and for procurement of goods, works and services under the Project; and

(iv)

preparation and maintenance of the records, accounts and financial statements referred to in Article IV of this Agreement.

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(b)

The Borrower shall:

(i)

ensure that the PMU is at all times staffed with at least a Project coordinator, a procurement officer, a procurement assistant, an accountant and an accountant's assistant. The accountant and the procurement officer shall serve the PMU on a full-time basis;

(ii)

ensure that the PMU is provided with adequate facilities, satisfactory to the Bank, to carry out its responsibilities; and

(iii)

consult with the Bank on any substitution of the PMU's staff referred above, prior to such substitution.

Section 3.05.

No excavations or any other type of works under Part A.1 of the Project shall be carried out in the selected sites of the Districts of

Anse La Raye/Canaries

and

Gros Islet

, unless the acquisition process of the land sites has been carried out in a manner satisfactory to the Bank.

Section 3.06. 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 Bank and the Borrower, a plan designed to ensure the continued achievement of the objectives of the Project; and

(b)

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

Section 3.07. Without limitation on the provisions of Section 9.01 of the General Conditions, the Borrower shall:

(a)

maintain 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;

(b)

in the last FMR of each calendar year, recommend the measures deemed necessary to ensure the efficient completion of the Project and the achievement of the objectives thereof, inform about the availability of counterpart funds, and provide an implementation plan satisfactory to the Bank, updating (if necessary) the targets to be achieved for the implementation of the Project during the succeeding calendar year as set forth in the Implementation Letter; and

(c)

review with the Bank, on an annual basis upon request by the Bank until the completion of the Project, the relevant FMRs, and thereafter take all measures, satisfactory to the Bank, required to ensure the efficient completion of the Project and the achievement of the objectives thereof.

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Bank, required to ensure the efficient completion of the Project and the achievement of the objectives thereof.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system within the PMU, 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 and the records and accounts for the Special Account and the Project Account 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 an annual audit report which includes: (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; 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 FMRs or statements of expenditure, as the case may be, 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;

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(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 FMR or statement of expenditures, as the case may be, 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 Borrower's progress reporting obligations set out in Section 3.07 of this Agreement, the Borrower shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory 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 actual and planned 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 Project 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 45 days after the end of the first calendar quarter 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 quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a)
the Project Account has been opened and an initial amount of at least seventy five thousand Dollars (\$75,000) has been deposited therein;

(b)
the Operational Manual and the School Improvement Projects Operating Manual
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have been approved by the Bank and adopted by the Borrower;

(c)
the PMU has been fully staffed in accordance with the provisions of Section 3.04 of this Agreement;

(d)
the financial management system referred to in Section 4.01 (a) of this Agreement has been established;

(e)
the auditors referred to in Section 4.01 (b) (i) of this Agreement have been appointed; and

(f)
all conditions precedent to the effectiveness of the Development Credit Agreement, other than those relating to the effectiveness of this Agreement, have been fulfilled.
Section 5.02. The date December 26, 2002 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance, International Financial Services and Economic Affairs 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, International Financial Services
and Economic Affairs
Financial Center

Bridge Street,
Castries, St. Lucia
Facsimile:
(758) 453-1648
For the Bank:
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

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United States of America
Cable address:

Telex:

Facsimile:

INTBAFRAD

248423 (MCI) or

(202) 477-6391

Washington, D.C.

64145 (MCI)

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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.

SAINT LUCIA

By /s/ Sonia Johnny

Authorized Representative

INTERNATIONAL BANK FOR

RECONSTRUCTION AND DEVELOPMENT

By /s/ David de Ferranti

Regional Vice President

Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan and Credit

General

1.

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

Amount of the Loan

Amount of the Credit

% of

Allocated

Allocated

Expenditure to

Category

(Expressed in Dollars

)

(Expressed in SDRs

)

be Financed

(1) Works

3,600,000

2,840,000

80%

(2) Goods (except as

1,400,000

1,110,000
 75%
 covered by Category
 (4) below)
 (3)
 Consultants' Services
 260,000
 205,000
 90%
 and Training (except as
 Page 13
 covered by Category
 (4) below)
 (4) Goods and services for
 170,000
 134,000
 90%
 School Improvement
 Subprojects
 (5) Premium for Interest
 -0-
 Amount due
 Rate Caps and
 under Section
 Interest Rate Collars
 2.09 (c) of
 this Agreement
 (6) Fee
 60,000
 Amount due
 under Section
 2.04 of this
 Agreement
 (7) Refunding of Project
 205,000
 Amount due
 Preparation Advance
 under Section
 2.02 (c) of this
 Agreement
 (8) Unallocated
 510,000
 306,000
 TOTALS
 6,000,000
 4,800,000
 2.

The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditures under contracts that are not subject to prior review by the Bank pursuant to Section I, Part D.2, and Section II, Part D.2 of Schedule 4 to this Agreement, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to increase equitable access to Secondary Education; (b) to improve quality and efficiency of Secondary Education; and (c) to strengthen the institutional capacity of the educational sector.

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 objective:

Part A

: Increasing Equitable Access to Secondary Education

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Provision of technical assistance and the necessary civil works for:

1.

The construction of two new secondary schools in the Districts of

Anse La

Raye/Canaries

and

Gros Islet

.

2.

The rehabilitation and expansion of existing Selected Schools.

Part B

: Improving the Quality of Teaching and Learning

1. Provision of technical assistance and training for: (a) the development and implementation of a standardized curriculum for the lower secondary level; (b) the design of new teacher training programs in line with the objectives of the Project; and (c) the development of continuous student assessment mechanisms in accordance with internationally acceptable learning benchmarks and performance standards.

2. Provision of the necessary: (a) equipment, learning materials and furniture for the establishment of about eight new learning resource centers, and for the upgrading of school libraries into learning resource centers; (b) furniture, equipment and supplies for science laboratories in secondary schools, as well as training for laboratory technicians working in secondary schools; and (c) furniture and equipment for new, upgraded and expanded schools.

3. Provision of technical assistance and training for: (a) the organization and provision of adequate student support services to ensure equity of access for secondary school students in the education system; and (b) the designing and testing of literacy and numeracy improvement programs at the primary and secondary levels.

4. Provision of training for school personnel (key education stakeholders, including teachers, students, parents and school board members) involved in the preparation of school development planning.

5. Carrying out of School Improvement Subprojects.

Part C

: Improved Governance and Management in the Education System

1.

Provision of technical assistance and training for the development and implementation of the EMIS.

2.

Provision of training, equipment, and resource materials for the strengthening of district education offices, and the carrying out of rehabilitation works for the district education offices that may require such works.

Part D

: Project Management

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Provision of technical assistance, training and purchase of the necessary equipment for the strengthening of the PMU.

* * *

The Project is expected to be completed by March 31, 2008.

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.

Payment Date

(Expressed as a %)

On each February 15 and August 15

Beginning August 15, 2007

through February 15, 2017

5%

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

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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 sub-paragraph (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 sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4.

Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn 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.

5.

If the principal amount of the Loan withdrawn and outstanding from time to time shall be

denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 4

Procurement

Section I

Procurement of Goods and Works

Part A

: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, 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 and works shall be

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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 provision shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

Grouping of Contracts

To the extent practicable contracts for the provision of goods shall be grouped into bid packages, each estimated to cost \$150,000 equivalent or more, and contracts for works shall be grouped into bid packages, each estimated to cost \$1,000,000 equivalent or more.

Part C

: Other Procurement Procedures

1.

National Competitive Bidding

Except as provided for in Part C.4 hereto, works estimated to cost less than \$1,000,000 equivalent per contract, up to an aggregate amount not to exceed \$3,200,000 equivalent, and goods estimated to cost less than \$150,000 equivalent per contract, up to an aggregate amount not to exceed \$600,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

Selection of contractors and suppliers under this paragraph shall be carried out using standard bidding documents acceptable to the Bank.

2.

International or National Shopping

Goods which cannot be grouped into larger bid packages and estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 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.

3.

Procurement of Small Works

Works estimated to cost less than \$150,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent may be procured under lump-sum, fixed-priced contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

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4.

Procurement under School Improvement Subprojects

Goods needed under School Improvement Subprojects shall be procured in accordance with procedures acceptable to the Bank as described in the School Improvement Projects Operating Manual.

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 and works 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 procured under Part B of this Section; (b) the first two contracts for goods procured under Part C. 1 of this Section; (c) each contract for works procured under Part B of this Section; and (d) the first two contracts for works procured under Part C.1 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

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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.

Selection Based on Consultant's Qualifications

Consultants' services estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2.

Least-cost Selection

Services estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraph 3.1 and 3.6 of the Consultants Guidelines.

3.

Individual Consultants

Specialized advisory services which meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, up to an aggregate amount not to exceed the equivalent of \$100,000 shall be selected by comparison of qualifications of three individual candidates and procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

4.

Consultants under School Improvement Subprojects

Services under School Improvement Subprojects shall be selected in accordance with procedures acceptable to the Bank, as described in the School Improvement Projects Operating Manual.

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

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paragraph 1.

2.

Prior Review

(a)

With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$40,000 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 individual consultants estimated to cost the equivalent of \$40,000 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.

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.

SCHEDULE 5

Special Account

1.

For the purposes of this Schedule:

(a)

the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b)

the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c)

the term "Authorized Allocation" means the amount of \$600,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph

3

(a) of this Schedule; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of \$300,000 until the Bank determines based on the amounts and frequencies of withdrawals applications that a higher balance is necessary.

2.

Payments out of the Special Account shall be made exclusively for eligible expenditures

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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 in a commercial bank acceptable to the Bank, 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 deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into 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;

(b)

if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts

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for the Special Account;

(c)

if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d)

once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, 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.