

CONFORMED COPY

LOAN NUMBER 4635-PAN

Loan Agreement

(Public Policy Reform Technical Assistance Project)

between

REPUBLIC OF PANAMA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated October 4, 2001

LOAN NUMBER 4635-PAN

LOAN AGREEMENT

AGREEMENT, dated October 4, 2001, between the REPUBLIC OF PANAMA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS 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 Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through October 6, 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) "Administration Arrangement" means the arrangements referred to in Section 3.06 of this Agreement;

(b) "Beneficiary Agencies" means collectively CGR, CLICAC, MEF, and MICI;

(c) "CGR" means Contraloría General de la República, the Borrower's General Comptroller's Office;

(d) "CLICAC" means Comisión de Libre Competencia y Asuntos del Consumidor, the Borrower's Competition and Consumer Affairs Commission;

(e) "DEC" means Dirección de Estadística y Censo, the Borrower's Census and Statistics Directorate established within CGR;

(f) "DGCP" means Dirección General de Contrataciones Públicas, the Borrower's Public Procurement General Directorate established within MEF;

(g) "DPS" means Dirección de Política Social, the Borrower's Social Policy Directorate established within MEF;

(h) "GDP" means the Borrower's Gross Domestic Product;

(i) "Law No. 29" means the Borrower's Ley por la cual se Dictan Normas Sobre la Defensa de la Competencia y se Adoptan Otras Medidas", published in the Borrower's official Gazette on February 3, 1996;

(j) "MEF" means Ministerio de Economía y Finanzas, the Borrower's Ministry of Economy and Finance;

(k) "MICI" means Ministerio de Comercio e Industrias, the Borrower's Ministry of Commerce and Industries;

(l) "Operational Manual" means the manual referred to in Section 3.08 (a) of this Agreement;

(m) "PCU" means the Project coordination unit referred to in Section 3.05 of this Agreement;

(n) "Project Management Report" means each report prepared in accordance with Section 4.02 (a) of this Agreement;

(o) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to the letter agreement dated February 3, 1998;

(p) "Supplemental Letter" means the letter of even date herewith from the Borrower to the Bank setting forth the Project monitoring indicators referred to in Section 3.07 (a) of this Agreement;

(q) "UNDP Agreement" means the agreement referred to in Section 3.09 of this Agreement;

(r) "WTO Agreements" means the following agreements administered through the WTO: Technical Barriers to Trade Agreement, Trade Related Aspects of Intellectual Property Rights Agreement, Sanitary and Phyto Sanitary Standards Agreement and Agriculture Agreement; and

(s) "WTO" means World Trade Organization, to which the Borrower became a member through the Borrower's Law No. 23 of 1997;

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 ten million five hundred thousand Dollars (\$10,500,000).

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 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) 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 December 31, 2004 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 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 2.06. (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 LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.07 of this Agreement.

(iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in single currency for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) "LIBOR Total Spread" means, for each Interest Period: (A) three-fourths of one percent ($3/4$ of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's

outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on April 15 and October 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.

ARTICLE III

Execution of the Project

Section 3.01. 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 PCU and the Beneficiary Agencies, with due diligence and efficiency and in conformity with appropriate financial, administrative, legal, 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. 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 designed to ensure the continued achievement of the Project's objectives, and

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

Section 3.04. With regard to the training and capacity building activities to be carried out under the Project, in accordance with the implementation plan set forth in the Operational Manual, the Borrower, through the PCU, shall:

(a) by no later than March 31 of each year during the implementation of the Project, starting in the year 2002, furnish the Bank, for its approval, a plan which provides detailed information on the objective, content, schedule, selection criteria, budget, and number of participants regarding the respective activities;

(b) carry out such training and capacity building activities in accordance with said plan approved by the Bank; and

(c) by no later than March 31 of each year during the implementation of the

Project, starting in the year 2003, prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the results of each such activity, on the proposed strategy for replication and dissemination, as well as on the benefits derived therefrom.

Section 3.05. Throughout the course of the Project implementation, the Borrower shall maintain a Project coordination unit within MEF. The Borrower shall ensure that the PCU is, at all times, during the implementation of the Project, headed by a Project coordinator (the Project Coordinator), assisted by staff in adequate numbers, all with qualifications, experience, functions and responsibilities as set forth in the Operational Manual.

Section 3.06. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower through MEF shall enter into separate inter institutional administrative arrangements satisfactory to the Bank (the Administration Arrangements), one with each one of the Beneficiary Agencies, setting forth their respective responsibilities in the implementation of the Project. The Borrower shall exercise its rights and carryout its obligations under the Administration Arrangements in such a manner as to protect the interest of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank may otherwise agree, the Borrower shall not assign, amend, abrogate, suspend, waive, terminate or fail to enforce any Administration Arrangement or any provision thereof.

Section 3.07. 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 Supplemental 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 March 31 of each year during the implementation of the Project, starting in the year 2002, 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 June 30 of each year during the implementation of the Project, starting in the year 2002, 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 3.08. (a) The Borrower shall, without limitation to the other provisions of this Agreement, carry out the Project in accordance with an operational manual, satisfactory to the Bank and to be prepared by the PCU, said manual to include specific rules and procedures for Project implementation; and

(b) the Operational Manual may be amended by the Borrower from time to time, in a manner satisfactory to the Bank, to facilitate continued Project implementation. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

Section 3.09. The Borrower shall enter into an agreement with the United Nations Development Agency under terms and conditions satisfactory to the Bank (the UNDP Agreement), 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. The Borrower shall exercise its rights and carryout its obligations under said agreement in such a manner as to protect the interest of the Borrower and the Bank and to accomplish the purposes of the Loan. 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 six 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; 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 Project Management Reports or 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 Project Management Reports or 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 carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than December 31, 2001, or such later date as the Bank shall agree, to prepare quarterly Project management reports, acceptable to the Bank, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the

Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;

- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

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) that the Operational Manual referred to in Section 3.08 (a) of this Agreement has been issued and put into effect;
- (b) that the UNDP Agreement referred to in Section 3.09 of this Agreement has been signed by the parties thereto;
- (c) that the PCU has been properly staffed as set forth in Section 3.05 of this Agreement;
- (d) that the independent auditors referred to in Section 4.01 (b) (i) of this Agreement have been contracted to carry out the audits referred to in said section; and
- (e) that the Administration Arrangements referred to in Section 3.06 of this Agreement have been entered into.

Section 5.02. The date January 2, 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 Economy and 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:

Ministerio de Economía y Finanzas
Dirección de Crédito Público
Vía España, Calle 52
Edificio OGAWA 4 Piso

Panamá, República de Panamá

Facsimile:

(507) 223-1405

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 the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF PANAMA

By /s/ Guillermo Ford

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Donna Dowsett-Coirolo

Acting Regional Vice President
Latin America and the Caribbean

AGREED:

CONTRALORIA GENERAL DE LA REPUBLICA

By /s/ Alvin Weeden
Authorized Representative

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 Dollars)	% of Expenditures to be Financed
(1) Goods	1,390,000	100% of foreign expenditures, and 90% of local

			expenditures
(2)	Consultants' services	6,510,000	100%
(3)	Training	1,355,000	100%
(4)	Refunding of Project Preparation Advance	1,100,000	Amounts due pursuant to Section 2.02 (b) of this Agreement
(5)	Fee	105,000	Amount due under Section 2.04 of this Agreement
(6)	Audit fees	40,000	100%
	TOTAL	10,500,000	

2. For the purposes of this Schedule:

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

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

(c) the term "training" means the non-consultant expenditures incurred by the Borrower in connection with the carrying out of training activities under the Project, including reasonable travel costs and per diem of trainees, rental of facilities and equipment, and training materials; and

(d) the term "audit fees" means the reasonable fees charged by the auditors referred to in Section 4.01 (b) (i) of this Agreement for the carrying out of their auditing services with respect to 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 \$1,000,000, may be made on account of payments made for expenditures within twelve months prior to the date of this Agreement, but in no case prior to July 1, 2001.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for training, as well as for expenditures for goods and services not subject to prior review pursuant to Part D.2 of Section I of Schedule 4 to this Agreement or Part D.2 of Section II 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 objective of the Project is to consolidate and deepen the Borrower's reforms to accelerate growth and reduce poverty by strengthening the Borrower's economic monitoring and planning, policy formulation and execution capacity in: (a) the implementation of selected policies; (b) the design of selected reforms; and (c) the carrying out of poverty and economic monitoring and analytical evaluations.

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: Trade Reform and Strengthening Institutional Capacity of MICI and CLICAC

1. Strengthening of MICI's institutional and technical capacity, in particular its capacity to:

- (a) implement the Borrower's WTO commitments under the WTO Agreements;
- (b) maintain a well functioning Borrower's WTO office and enhance such offices' capacity to address inquiries and notifications on trade related issues and technical regulations;
- (c) prepare domestic policy reform programs consistent and integrated with multilateral and regional trade institutions; and
- (d) establish a new information center on regulations and standards under the jurisdiction of MICI.

2. Strengthening of MICI institutional capacity to implement trade reforms and negotiate multilateral, bilateral and regional integration agreements through, inter alia:

- (a) the acquisition of information technology equipment, computer equipment and software, technical tools, operational handbooks and related materials to inter alia, upgrade the Borrower's databases on patents and trademarks to support the protection of intellectual property rights;
- (b) the provision of training with respect to the establishment of a database and research systems to facilitate the Borrower's WTO negotiations and regional negotiations on market access and related issues;
- (c) the carrying out of an assessment of: export opportunities/challenges; industry advantage in terms of scale, value-added and specialization; trade creation/diversion and other factors affecting the Borrower's trade agreements;
- (d) the carrying out of workshops and training with respect to negotiations, linkages between different negotiating policy areas, and coordination mechanisms across the Borrower's agencies responsible for trade policy matters as well as with private sector constituencies; and
- (e) the carrying out of cross-cutting and multi-sector studies and diagnostics.

3. Strengthening of CLICAC's capacity to implement Law No. 29, through, inter alia:

- (a) the carrying out of sector-specific studies and assessments;
- (b) the acquisition of laboratory equipment and software and the provision of technical tools, operational handbooks and related materials;
- (c) the provision of training to CLICAC's staff, with respect to the upgrading of technical standards and legal metrology and the enforcement of Law No. 29 and related legal instruments; and
- (d) the design and implementation of a public information and dissemination campaign and corporate programs to facilitate changes in policies affecting competition and market transparency.

Part B: Fiscal Sustainability and Public Sector Efficiency

1. Strengthening of DEC's operational capacity to: (a) improve the calculation methodologies for the Borrower's national accounts; (b) modify the base year of said national accounts and the consumer's price index; (c) facilitate quarterly GDP data

production; and (d) upgrade DEC's existing computer equipment.

2. Strengthening of MEF Minister's office capacity to: (a) provide technical advise on the design and formulation of macroeconomic policies; (b) achieve consistency of economic policies across the Borrower's ministries and related agencies; and (c) monitor macroeconomic performance.

Part C: Social Spending and Poverty Reduction

Provision of technical assistance to improve the targeting and efficiency of the Borrower's current public social spending and poverty reduction programs, through: (a) the design and implementation of a survey of living conditions; (b) the carrying out of poverty and vulnerability analyses with data generated from said survey; (c) the carrying out of a comprehensive study of the Borrower's public social spending; (d) the design and implementation of a poverty monitoring system; and (e) the strengthening of DPS.

Part D: Public Procurement System

1. Provision of technical assistance to strengthen DGCP and other public procurement units selected by the Borrower, through: (i) the development of standard bidding documents of general application; (ii) the design and implementation of a human resource policy; (iii) the carrying out of an assessment and subsequent adjustment of current procedures; (iv) the carrying out of an assessment of the available human resources; and (v) the design and implementation of a training program for the Borrower's procurement officials.

2. Provision of technical assistance to the Borrower to develop a public procurement information system, including the design and implementation of such system's electronic government procurement component.

3. Provision of technical assistance to review the Borrower's existing procurement legal and regulatory framework, and prepare the necessary amendment to such framework, and carrying out of workshops with critical stakeholders to discuss the proposed amendments.

* * *

The Project is expected to be completed by June 30, 2004.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars)*
On each April 15 and October 15 beginning April 15, 2007 through October 15, 2016	525,000

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

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 Sections I and III of this Schedule.

Part B: International Competitive Bidding

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.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded on the basis of 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 prequalify for bidding or 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

(a) With respect to each contract procured in accordance with Part B above, as well as the first three contracts procured in accordance with Part C.1 above, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply;

(b) With respect to the first three contracts procured in accordance with Part C.2 above, the procedures referred to in the following procedures shall apply:

- (i) prior to the selection of any supplier or the execution of any contract under shopping procedures, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2 (f), 2 (g) 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 Sections II and III of this Schedule.

Part B: Quality- and Cost-based Selection

1. 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.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines 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, 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.

(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, 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.

Section III. Special Provisions

A. In addition and without limitation to any other provisions set forth in this Schedule or the Guidelines, the following principles of procurement shall expressly govern all procurement of goods referred to in Part B of Section I of this Schedule:

1. Foreign bidders shall not be required to:
 - (a) have a local representative for purposes of submitting bids;
 - (b) be registered with local authorities as a prerequisite for bidding; and
 - (c) be associated with local contractors or suppliers.
2. Bids may be submitted before bid opening, either by mail or courier or in person.
3. No bids shall be rejected, and no provisional awards shall be made at the time of bid opening.
4. No minimum number of bids shall be required as a condition to award a contract.
5. Contracts shall be awarded to the bidder whose bid has been evaluated as the lowest responsive bid, in accordance with criteria clearly set forth in the standard bidding documents.

B. In addition and without limitation to any other provisions set forth in this Schedule or the Guidelines, the following principles of procurement shall expressly govern all procurement of goods referred to in Part C.1 of Section I of this Schedule:

1. Bids may be submitted before bid opening, either by mail or courier or in person; and
2. No bids of proposals shall be rejected, and no provisional awards shall be made at the time of bid opening.

3. No minimum number of bids or proposals shall be required as a condition to award a contract.

4. Contracts shall be awarded to the bidder whose bid has been evaluated as the lowest responsive bid, in accordance with criteria clearly set forth in the standard bidding documents.

C. In addition to and without limitation to any other provisions set forth in this Schedule or the Consultant Guidelines, the following principles of procurement shall expressly govern all procurement of consultants' services referred to in Section II of this Schedule:

Foreign consultants shall not be required to:

- (1) be locally registered as a condition of participation in the selection process;
 - (2) be required to enter into association with other firms to submit a proposal or sign a contract;
 - (3) furnish any certificate issued by a local authority about their legal capacity or tax status for the purposes of submitting a proposal; and
 - (4) submit their proposals in person.
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