

CONFORMED COPY

LOAN NUMBER 7135-ES

Loan Agreement

(Judicial Modernization Project)

between

REPUBLIC OF EL SALVADOR

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated January 30, 2004

LOAN NUMBER 7135-ES

LOAN AGREEMENT

AGREEMENT, dated January 30, 2004, between REPUBLIC OF EL SALVADOR (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; 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) “Administrative Arrangement” means the arrangement referred to in Section 3.04 (a) of this Agreement;

(b) “Annual Action Plan” means any of the plans referred to in Section 3.05 (a) and/or (c) of this Agreement;

(c) “BCR” means *Banco Central de Reserva de El Salvador*, the Borrower’s Central Bank;

(d) “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(e) “FY” means the Borrower’s fiscal year commencing on January 1 and ending on December 31;

(f) “Implementation Letter” means the letter of even date herewith from the Borrower to the Bank setting forth the Project monitoring indicators;

(g) “Judicial Branch” means *Organo Judicial*, the Borrower’s branch responsible for administering and dispensing judicial services in the Borrower’s territory pursuant to Title VI, Chapter III, of the Borrower’s 1983 Constitution;

(h) “Operational Manual” means the manual referred to in Section 3.03 (a) of this Agreement;

(i) “PCU” means the unit referred to in Section 3.06 (a) of this Agreement; and

(j) “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 this Agreement, an amount equal to eighteen million two hundred thousand Dollars (\$18,200,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

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

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

Section 2.03. The Closing Date shall be December 31, 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 front-end fee in an amount equal to one percent (1%) of the amount of the Loan. The Borrower agrees that on or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

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

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

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on June 15 and December 15 in each year.

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

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

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;

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

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 two consecutive Interest Periods 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.

Section 2.11. The President of the Judicial Branch and any person or persons whom he or she shall designate in writing are designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objective of the Project, and, to this end, shall carry out the Project through its Judicial Branch, with due diligence and efficiency and in conformity with appropriate administrative, educational, environmental, financial, managerial, social, 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, 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. (a) The Borrower, through its Judicial Branch, shall carry out the Project in accordance with a manual (the Operational Manual), acceptable to the Bank, said manual to include, *inter alia*:

- (i) an institutional implementation plan of the Judicial Branch for the management of the Project (including, *inter alia*, allocation of responsibilities within staff, yearly planning of activities and budget and time allocation for those activities);
- (ii) the procurement, financial management, and environmental guidelines to be followed during Project implementation by the Borrower; and
- (iii) the guidelines for the preparation of the Annual Action Plans.

(b) Except as the Borrower, through its Judicial Branch, and the Bank may otherwise agree in writing, the Borrower shall not abrogate, amend, suspend, waive or otherwise fail to enforce the Operational Manual or any provision thereof.

(c) 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 3.04. (a) The Borrower shall cause its Ministry of Finance and the Judicial Branch to enter into an arrangement (the Administrative Arrangement), for the purposes of establishing the procedures for the transfer by the Ministry of Finance to the Judicial Branch of the resources required for the carrying out of the Project.

(b) The Borrower shall ensure that the Administrative Arrangement is implemented in accordance with its terms.

(c) In case of any conflict between the terms of the Administrative Arrangement and those of this Agreement, the terms of this Agreement shall prevail.

Section 3.05. The Borrower shall: (a) not later than December 31 of each year during Project implementation, starting in year 2004, furnish to the Bank, for its approval, an annual action plan (the Annual Action Plan), each said plan to include, *inter alia*: (i) the Project activities to be carried out by the Borrower, through its Judicial Branch, during the calendar year following the presentation of each said plan; (ii) the procurement plan and disbursement schedule for each said calendar year; and (iii) the amount of counterpart funds needed and to be provided by the Borrower to carry out the Project during said calendar year; (b) thereafter implement each said Annual Action Plan, approved by the Bank, in accordance with its terms; and (c) carry out the Annual Action Plan for the year 2004 as approved by the Bank.

Section 3.06. (a) The Borrower shall establish, and thereafter operate and maintain in its Judicial Branch, at all times during Project implementation, a Project coordination unit (the PCU) with a structure, functions and responsibilities acceptable to the Bank, including, *inter alia*, the responsibility of the PCU to assist the Borrower in the coordination, monitoring and supervision of the Project.

(b) The Borrower, through its Judicial Branch, shall ensure that the PCU is, at all times during Project implementation, headed by a manager and staffed with a financial specialist, an administrative specialist, a procurement specialist and other professional and administrative staff, all hired in numbers and with qualifications and experience acceptable to the Bank. Turnover of PCU staff, which is deemed excessive in the opinion of the Bank, may serve as evidence that the provisions of Section 3.01 of this Agreement are not being met.

Section 3.07. The Borrower shall:

(a) maintain or cause to be maintained policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the Implementation Letter and the data produced by the monitoring and evaluation program referred to in Part E.3 of the Project, the carrying out of the Project and the achievement of the objective thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, each January 15 and July 15 during Project implementation, starting with the report due not later than July 15, 2005, 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 calendar semester preceding the date of presentation of the report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the following calendar semester;

(c) review with the Bank, by January 15, of each year of Project implementation, or such later date as the Bank shall agree, starting in year 2005, the pertinent reports 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 objective thereof, based on the conclusions and recommendations of said reports and the Bank's views on the matter; and

(d) carry out an in-depth review (the Mid-Term Review) jointly with the Bank, by December 31, 2006, or such later date as the Bank shall agree, on the progress achieved in the implementation of the Project.

Section 3.08. Without limitation upon the provisions of Sections 3.01 and 3.04 of this Agreement, the Borrower shall include in each annual budget proposed to its legislature, and make available each year of Project implementation, promptly as needed, the following minimum amounts as counterpart funds for the Project:

- (a) \$879,000 for FY 2004;
- (b) \$2,520,000 for FY 2005;
- (c) \$1,520,000 for FY 2006;
- (d) \$760,000 for FY 2007; and
- (e) \$169,620 for FY 2008

Section 3.09. With regard to the training activities to be carried out under Parts A.1 (b) and D.1 (c) of the Project, the Borrower, through its Judicial Branch, shall:

(a) furnish to the Bank, for its approval, each January 15 during Project implementation, starting in year 2004, the contents, schedule and selection criteria of the respective training programs;

(b) carry out such training programs in accordance with the contents, schedule and selection criteria approved by the Bank; and

(c) furnish to the Bank, each December 31 during Project implementation, starting with the report due not later than December 31, 2004, a report, of such scope and in such detail as the Bank shall reasonably request, on the results of each such training programs and the benefits derived therefrom.

Section 3.10. 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 sustainability of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain within the PCU 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 and the records and accounts for the Special Account for each of the Borrower's FYs 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 (4) 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 financial statements, records and accounts and the report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including as part of the information to be provided in each such report, a management letter concerning the Borrower's internal controls; and

- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

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

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

Section 4.02. (a) Without limitation upon the 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 (FMR), 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 the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) the Operational Manual has been approved by the Bank;
- (b) the independent auditors referred to in Section 4.01 (b) (i) of this Agreement have been appointed by the Borrower as provided in said Section;
- (c) the PCU has been fully staffed and is operational as provided in Section 3.06 (b) of this Agreement;
- (d) the financial management system for the Project has been established as provided in Section 4.01 (a) of this Agreement; and
- (e) the Administrative Arrangement referred to in Section 3.04 (a) of this Agreement has been entered into between the Borrower's Ministry of Finance and the Judicial Branch.

Section 5.02. The date February 17, 2004 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 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
(*Ministerio de Hacienda*)
Boulevard de los Héroes 1231
San Salvador, El Salvador

Facsimile:

(503) 244-7235

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 EL SALVADOR

By/s/ René Antonio León Rodríguez
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

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

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	8,900,000	75%
(2) Goods (except as covered in Categories (4), and (5) below)	3,860,000	100% of foreign expenditures and 87% of local expenditures
(3) Consultants' services (including audits)	1,860,000	68% of foreign expenditures and 68% of local expenditures
(4) Training	2,600,000	68%
(5) Operating Costs	100,000	50%
(6) Front- end Fee	182,000	Amount due under Section 2.04 of this Agreement
(7) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09 (c) of this Agreement
(8) Unallocated	<u>698,000</u>	
TOTAL	<u>18,200,000</u>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures for goods or services supplied from the territory of any country other than that of the Borrower (if not sold while within the customs territory of the Borrower prior to such goods’ or services’ acquisition for use under the Project);

(b) the term “local expenditures” means expenditures for goods or services supplied from the territory of the Borrower (i.e., sold while within the customs territory of the Borrower for such goods’ or services’ first use under the Project) regardless of those goods’ or services’ territory of origin;

(c) the term “Training” means expenditures (other than those for consultants’ services) incurred by the Borrower to finance transportation costs and per-diem of trainees, rental of training facilities and acquisition of training equipment and material under the Project; and

(d) the term “Operating Costs” means reasonable Borrower expenditures, which would not have been incurred absent the Project, to finance consumable items and utilities.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments for expenditures prior to the date of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures: (a) under contracts for goods costing less than \$25,000 equivalent each; (b) under contracts for the employment of consulting firms costing less than \$100,000 equivalent each; (c) under contracts for the employment of individual consultants costing less than \$50,000 equivalent each; and (d) for Training and Operating Costs as set forth in Categories (4) and (5) of the table in paragraph 1 of this Schedule, respectively, all 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 improve the Borrower's judicial system by promoting measures aimed at enhancing the effectiveness, accessibility and credibility of its Judicial Branch, through a participatory process involving judges, technical and administrative staff and users of the Borrower's judicial system.

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: Strengthening of the Institutional Management Capacity of the Judicial Branch

1. Design and implementation of an integrated planning system to enhance the management capacity of the Judicial Branch, through, *inter alia*:

(a) the development of procedures aimed at resolving internal coordination problems and delays in the provision of judicial services;

(b) the development of training systems for judges and administrative and technical staff of the Judicial Branch;

(c) the provision of equipment for administrative units of the Judicial Branch; and

(d) the development of information and communication technology systems.

2. Provision of technical assistance to the Judicial Branch to develop a program to centralize and manage international organizations' grant resources for the strengthening and modernization of the Judicial Branch.

Part B: Court System Modernization

1. Development of a court re-mapping plan to match population, geographical and judicial service needs and to make a more efficient use of the Judicial Branch's resources.

2. Strengthening of the automated judicial and administrative management program of the court system through the provision of technical assistance and training required therefor.

3. Carrying out of a program to update the models of judicial organization for, *inter alia*, increasing the efficiency of court calendars; improving the processing of trials; and enhancing document management within the Judicial Branch units.

4. Expansion of judicial infrastructure through the construction of an integrated judicial center in the municipality of Soyapango to enhance judicial services in said municipality and surrounding municipalities.

Part C: Knowledge Sharing to Foster Access to Justice and Transparency

1. Design and implementation of a system for the inspection, vigilance and control of judicial services to assure transparency, through, *inter alia*:

(a) the development of preventive and corrective measures against corruption in the Judicial Branch;

(b) the promotion of a Judicial Branch's code of ethics; and

(c) the strengthening of the Judicial Branch's professional oversight and judicial oversight units through the development of a program of timely resolution of complaints against judges and lawyers.

2. Carrying out of legal outreach programs aimed at civil society groups for, *inter alia*:

(a) the enhancement of the understanding of the role of the Judicial Branch and the use of basic judicial procedures;

(b) the support of the legal profession and its professional associations;

(c) the prevention of family and youth violence; and

(d) the empowerment of women and other minority groups.

3. Modernization of the judicial documentation centers and the judicial libraries through, *inter alia*:

(a) the provision of new software, hardware, internet applications, books and publications; and

(b) the linkage to legal and judicial databases and information networks.

Part D: Development of Professional Quality and Competence of Judicial Officers and Employees

1. Improvement of the Judicial Branch's human resources policies, through, *inter alia*:

(a) the design and implementation of programs to promote work incentives, enhance the spirit of judicial service, and encourage the participation in the improvement of the administration of justice;

(b) the design and implementation of staff manuals and their dissemination through the Judicial Branch's intranet; and

(c) the provision of continuing legal education and ethics training to judges, administrative, and technical staff.

2. Promotion of the role of judges in the Borrower's economic and social development, through, *inter alia*, seminars, workshops and public information campaigns.

Part E: Project Management, Monitoring and Evaluation

1. Provision of support for overall Project coordination, evaluation, supervision and implementation, including, *inter alia*:

(a) the strengthening of the capacity of the PCU to comply with its responsibilities referred to in Section 3.06 (a) of this Agreement; and

(b) the carrying out of audits under Section 4.01 of this Agreement.

2. Carrying out of Project studies, including, *inter alia*, performance reviews and impact evaluations.

3. Design and implementation of a program to monitor and evaluate the carrying out of the Project.

-18-

* * *

The Project is expected to be completed by June 30, 2008.

SCHEDULE 3

Amortization Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
On each June 15 and December 15 Beginning on December 15, 2008 through	
June 15, 2018	5.00%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

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

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of 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 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 procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

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

(a) Prequalification

Bidders for works estimated to cost \$10,000,000 equivalent or more shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Grouping of Contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$250,000 equivalent or more each.

(c) Preference for Domestically Manufactured Goods

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$3,200,000 equivalent, shall be awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

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

2. Shopping

Goods estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$240,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures, at the Borrower's option, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines and Section 3.05 (a) (ii) of this Agreement. 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 and said Section 3.05 (a) (ii).

2. Prior Review

(a) With respect to each contract for goods and works to be awarded under Part B.1 of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first two contracts for goods to be awarded under Parts C.1 (a) and C.2 of this Section, the following procedures shall apply:

- (i) prior to the selection of any supplier under said Part, 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 said Part, 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 Section II of this Schedule.

Part B: Quality- and Cost-based Selection

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

Part C: Other Procedures for the Selection of Consultants

1. Least Cost Selection:

Consultants' Services for training, management, monitoring and evaluation activities under Parts A.1 (b); C.2; and E of the Project estimated to cost less than

\$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Individual Consultants

Consultants' services for specialized activities under the Project, as approved by the Bank, and for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, up to an aggregate amount not to exceed \$900,000 equivalent, may 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 and Section 3.05 (a) (ii) of this Agreement. 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 and Section 3.05 (a) (ii) of this Agreement.

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 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.

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), (2), (3), (4), and (5) 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 \$1,200,000 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 \$600,000 until the aggregate amount of withdrawals from the Loan Account, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal or exceed the equivalent of \$1,500,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for 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 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.