CONFORMED COPY

LOAN NUMBER 7243-SV

Loan Agreement

(OECS Education Development Project)

between

ST. VINCENT AND THE GRENADINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 28, 2004
LOAN AGREEMENT

AGREEMENT dated September 28, 2004, between ST. VINCENT AND THE GRENADINES (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Executive Directors of the Bank approved on May 15, 2002 the OECS Education Development Program estimated to cost the amount of $60 million over a period of 9 years;

(B) 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;

(C) the Borrower has delivered to the Bank a letter dated May 19, 2004, describing the Borrower’s education development policy, and declaring the Borrower’s commitment to the execution of the Project in accordance with such policy;

(D) 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 two million two hundred thousand Special Drawing Rights (SDR2,200,000) (the Credit);

(E) 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 (as amended through May 1, 2004) (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) “Education Project Steering Committee” means the committee referred to in Section 3.07 of this Agreement;

(c) “EPMU” means the education project management unit, referred to in Section 3.04(a)(ii) of this Agreement;

(d) “Extracurricular Activities” means any activity promoted by secondary level students which meets the eligibility criteria set forth in the Operational Manual (as hereinafter defined), for the improvement of quality education, development of leadership potential, positive values and mutual self-esteem among students;

(e) “Financial Monitoring Report” and the acronym “FMR” mean each report prepared in accordance with Section 4.02 of this Agreement;

(f) “Master Teacher Program” means a program created by MEYS (as hereinafter defined) to provide incentives for exemplary teachers, creating opportunities for said teachers to transfer knowledge, teaching styles and general good practices to other teachers, through participation in induction programs for new teachers, mentoring and training;

(g) “MFPD” means the Borrower’s Ministry of Finance, Planning and Development or any successor thereto;
(h) “MEYS” means the Borrower’s Ministry of Education, Youth and Sports, or any successor thereto;

(i) “OECS” means the Organization of Eastern Caribbean States;

(j) “Operational Manual” means the manual referred to in Section 3.01(b) of this Agreement;

(k) “PCU” means the project coordination unit maintained within the MFPD, for the purposes referred to in Section 3.04 (a) (i) of this Agreement;

(l) “Procurement Plan” means the Borrower’s procurement plan dated May 21, 2004, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(m) “Professional Development Grant” means grants, made through a program to be developed under the Project, to selected teachers for the carrying out of studies and research;

(n) “Project Account” means the account referred to in Section 3.03 of this Agreement;

(o) “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);

(p) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement; and

(q) “Supplemental Letter” means the letter of even date herewith from the Borrower to the Bank setting forth the monitoring and evaluation indicators for the Project.
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 three million one hundred thousand Dollars ($3,100,000), 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 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 and the premia referred to in Section 2.09(c) 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 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 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 provisions of Schedule 3 to this Agreement.

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

(i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;

(ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and

(iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

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 converted 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 objective of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MEYS, with the assistance of the PCU and the EPMU, all with due diligence and efficiency and in conformity with appropriate educational, technical, administrative, financial, social and environmental standards and 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 an operational manual (the Operational Manual), satisfactory to the Bank, containing detailed procedures for the implementation of the Project, including, *inter alia*:

(i) the organization and staffing of the PCU and the EPMU;

(ii) the roles and responsibilities of the PCU and EPMU and flow of funds arrangements when applicable;

(iii) the financial management procedures for the Project;

(iv) standard bidding documents and letters of invitation to consultants;

(v) mandatory safeguards and mitigation actions for the construction, rehabilitation and expansion of secondary schools, which safeguards and actions shall be applied to prevent or mitigate any possible negative environmental impact said construction may otherwise cause, such as, in particular, increase in deforestation, pollution of groundwater, negative impacts on endangered species, increased soil erosion, and encroachment on natural habitats;
(vi) the annual action plan for the first year of Project implementation;

(vii) details and procedures for the Professional Development Grants, including: (A) criteria for the selection of eligible teachers; (B) activities that may be financed with Professional Development Grants; and (C) detailed guidelines and formats for preparing, evaluating and approving grant proposals; and

(viii) details and procedures for the Extracurricular Activities, including: (A) type of Extracurricular Activities that may be financed; and (B) detailed guidelines and formats for preparing, evaluating and approving Extracurricular Activities.

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

Section 3.02. (a) 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, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank’s approval.

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 five hundred thousand Dollars ($2,500,000) 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 four hundred thousand Dollars ($400,000) equivalent made on or prior to the Effective Date, and a second deposit of six hundred thousand Dollars ($600,000) equivalent made on or before January 31, 2005.

Section 3.04. (a) The Borrower shall maintain, during implementation of the Project:

(i) a Project coordination unit (the PCU) within the MFPD, with functions, staff and responsibilities satisfactory to the Bank, for
the purposes of: (A) processing of documentation required for disbursement of the Loan and Credit proceeds; (B) the procurement of goods, works and services under the Project; and (C) preparation and maintenance of the records, accounts and financial statements referred to in Article IV of this Agreement; and

(ii) an education project management unit (the EPMU), with functions, staff and responsibilities satisfactory to the Bank, for the purposes of: (A) coordination and implementation of the Project; and (B) monitoring and evaluation of the Project.

(b) The Borrower shall:

(i) ensure that the PCU is at all times staffed with at least a PCU coordinator, a procurement specialist, a financial management specialist, a procurement assistant, a financial management assistant and an administrative assistant;

(ii) ensure that the EPMU is at all times staffed with at least a Project coordinator, a Project manager, and administrative assistant; and

(iii) ensure that both the PCU and the EPMU are provided with adequate facilities, satisfactory to the Bank, to carry out their responsibilities.

Section 3.05. 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 months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan 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 3.06. Without limitation on the provisions of Section 9.01 of the General Conditions, 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, not later than six months after the Effective Date and annually thereafter during the period of Project implementation, 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 not later than two months after the date of such report, or such later date as the Bank shall request, each 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 the said report and the Bank’s views on the matter.

Section 3.07. The Borrower shall appoint and maintain during Project implementation the Education Project Steering Committee with representation acceptable to the Bank, for purposes of providing guidance in the coordination and implementation of the Project.

Section 3.08. For the purposes of implementing Part A.1 of the Project and prior to commencing works under said Part A.1, the Borrower shall complete the construction of a bridge and an access road in order to permit access to the site from the nearest main road, all in a manner satisfactory to the Bank.

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 accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:
(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, 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 (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, 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) retain, until at least one year after the Bank has received the audit report for, or covering, 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;

(ii) enable the Bank’s representatives to examine such records; and

(iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower’s progress reporting obligations set out in Section 3.06 (b) 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 in EC Dollars of at least four hundred thousand Dollars equivalent ($400,000) has been deposited therein;

(b) the Operational Manual has been approved by the Bank and adopted by the Borrower;

(c) the PCU and the EPMU have been fully staffed;

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

(e) 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 27, 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, Planning and Development 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, Planning and Development
P.O. Box 608, Kingstown
St. Vincent and the Grenadines

Facsimile:

(784) 456-2430

For the Bank:

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

Cable address: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (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.

ST. VINCENT AND THE GRENADINES

By /s/ Ellsworth John
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Badrul Haque
Acting Regional Vice President
Latin America and the Caribbean
SCHEDULE 1

Withdrawal of the Proceeds of the Loan and Credit

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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollars)</th>
<th>Amount of the Credit Allocated (Expressed in SDRs)</th>
<th>% of Expenditure to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Under Part A.1 of the Project</td>
<td>1,110,000</td>
<td>770,000</td>
<td>65%</td>
</tr>
<tr>
<td>(b) Other</td>
<td>330,000</td>
<td>245,000</td>
<td>65%</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>490,000</td>
<td>345,000</td>
<td>100% of foreign expenditures, 80% of local expenditures</td>
</tr>
<tr>
<td>(3) Consultants’ Services</td>
<td>580,000</td>
<td>400,000</td>
<td>100% of foreign expenditures, 70% of local expenditures</td>
</tr>
<tr>
<td>(4) Training</td>
<td>370,000</td>
<td>260,000</td>
<td>95%</td>
</tr>
<tr>
<td>(5) Goods and services under Extracurricular Activities</td>
<td>50,000</td>
<td>40,000</td>
<td>80%</td>
</tr>
<tr>
<td>(6) Premia for Interest Rate Caps and Interest Rate Collars</td>
<td>-0-</td>
<td></td>
<td>Amount due under Section 2.09 (c) of this Agreement</td>
</tr>
</tbody>
</table>
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, works or services supplied from the territory of the Borrower; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be “foreign expenditures”; and

(c) the term “training” means expenditures (other than those for consultants’ services) incurred by the Borrower to finance reasonable transportation cost and per diem of trainees, tuition for international or distance programs, and rental of training facilities, equipment and materials for the carrying out of the Project training activities under its responsibility.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for: (a) expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of $600,000, may be made in respect of Categories (1) through (5) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures within twelve months before that date but after May 1, 2004; and (b) expenditures under Category (1) (a) set forth in the table in paragraph 1 of this Schedule, until the construction of the bridge and access road referred to in Section 3.08 of this Agreement has been completed.
4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under such terms and conditions as the Bank shall specify by notice to the Borrower, for expenditures for: (a) goods, works and services under contracts which are not subject to prior review under the Procurement Plan; (b) training; and (c) Extracurricular Activities.
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 Borrower’s 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: Increase Equitable Access


2. Rehabilitation and expansion of about four secondary schools.

Part B: Improve Quality

1. Upgrading of teacher skills and standards, through: (a) the carrying out of a survey of the teaching system to determine priority skills areas and training needs for improvement; (b) the development and implementation of a screening system for the hiring of new teachers and the review of the teaching career path; (c) the provision of in-service pedagogical training for certification of graduate and non-graduate teachers; (d) the provision of Professional Development Grants to eligible teachers; and (e) the carrying out of the Master Teacher Program.

2. Reviewing and updating of the Secondary Education curriculum, through: (a) the development of a
national curriculum policy; (b) the development of a national assessment policy; (c) the development of curriculum guides for the first three years of Secondary Education, including guides on geography, history, creative and performing arts, and modern languages; and (d) the establishment of a National Curriculum Advisory Committee.

3. Improvement of the literacy levels of students, through: (a) the provision of specialized training in literacy to teachers; (b) the establishment of a resource center for teachers and literacy, curriculum and education officers; (c) establishment or upgrading of library information centers in rural schools and the setting up of classroom libraries in low performing primary schools; and (d) the provision of training to uncertified secondary school library assistants.

4. Improvement of student support services, through: (a) the provision of specialized training to guidance officers to enable them to provide guidance and training to secondary school students; (b) the provision of training and resource materials to enable certain students to provide counseling and mentoring to other students; (c) the provision of training and resource materials for parents to help them provide the necessary support to their children; (d) the development and implementation of a student-led Extracurricular Activities program; and (e) the provision of training to teachers to provide academic enrichment and support to selected students.
Part C: **Strengthen Management and Governance**

Provision of support for the Borrower’s efforts to improve the level and efficiency of supervision and management activities at the school level, through: (i) the provision of training to school principals and members of school boards on the preparation and use of school development plans; (ii) the provision of technical assistance for the strengthening of the existing legal framework governing the education sector; and (iii) the provision of technical assistance to carry out management strengthening activities to benefit MEYS.

Part D: **Project Management**

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

* * *

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

<table>
<thead>
<tr>
<th>Payment Date</th>
<th>(Expressed as a %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15</td>
<td></td>
</tr>
<tr>
<td>Beginning August 15, 2009 through August 15, 2020</td>
<td>4.17%</td>
</tr>
<tr>
<td>On February 15, 2021</td>
<td>4.09%</td>
</tr>
</tbody>
</table>

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

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

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

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

(b) Notwithstanding the provisions of subparagraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such subparagraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

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. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Section I, paragraphs 3.15 through 3.20, and Section IV of, and Appendix 2 to, the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement method or methods of review by the Bank of particular contracts, have the meaning ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than $150,000 equivalent per contract and works estimated to cost less than $1,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. Goods estimated to cost less than $25,000 equivalent per contract and works estimated to cost less than $150,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.
Section III. Particular Methods of Procurement of Consultants’ Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $50,000 equivalent per contract may comprise entirely national consultants.

B: Other Procedures

1. Selection Based on Consultants’ Qualifications. Services estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded on the basis of Consultant’s Qualifications.

2. Least Cost Selection. Services for assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-Cost Selection.

3. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to Individual Consultants. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis, subject to prior approval of the Bank.

Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review, in accordance with Appendix 1 of the Procurement and Consultant Guidelines. All other contracts shall be subject to Post Review by the Bank.
SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

   (a) the term “eligible Categories” means Categories (1) through (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 $600,000 to be withdrawn from the Loan Account (which for the purposes of this Schedule also includes the Credit Account referred to in the Development Credit Agreement), 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 withdrawal applications that a higher balance is necessary.

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.