

October 12, 1995

Mr. Fernando Herrero
Minister of Finance
Ministry of Finance
Edificio Rofas, Av. Central y 1
San José, Costa Rica

Dear Sir:

***Ref.: Loan 3414-CR - Basic Education Rehabilitation
Amendment to the Loan Agreement***

We refer to the loan agreement dated December 9, 1991 (the Loan Agreement) for the above-referenced Loan between the Republic of Costa Rica (the Borrower) and the International Bank for Reconstruction and Development (the Bank).

Based on the request made by the Ministry of Education, and exchanges between the Ministry of Education representatives and Bank representatives, we propose the following amendments to the Loan Agreement:

1. Section 1.02 of the Loan Agreement is hereby amended by incorporating new paragraphs (k), (l) and (m) to read as follows:

(k) "Juntas" means the Juntas de Educación, school boards authorized and regulated under the Reglamento and "Junta" means any of such school boards;

(l) "Reglamento" means the Borrower's Reglamento General de Juntas de Educación, issued through the Borrower's Decreto No. 17763-E and published in the Borrower's Official Gazette No. 198 dated October 16, 1987; and

(m) "Convenio" means each of the agreements to be entered into between the Borrower, through the MEP, and a Junta pursuant to Section 3.13 (b) of this Agreement;

2. A new Section 3.13 is hereby added to read as follows:

"Section 3.13 (a) Without limitation to the obligation included in Section 3.01 above, the Borrower shall carry out Part A. 5 (i) of the Project with the participation of the Juntas;

(b) As part of the above, the Borrower shall enter into an agreement, satisfactory to the Bank, with each Junta providing for the latter's obligations in regard to the rehabilitation of classrooms under its responsibility including those related to the compliance with the accounting, auditing and procurement provisions set forth in this Agreement; and

(c) The Borrower shall exercise its rights under each Convenio in such manner as to protect the interest of the Borrower and the Bank, and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive or fail

to enforce any Convenio or any provisions thereof

3. The table in Schedule I is hereby amended by incorporating a new subparagraph (e) to read as follows:

(e) Under Part A.5 (i) of the Project, unless the Borrower, through MEP, has entered into the respective Convenio with the respective Junta; and (b) the Bank has received evidence, satisfactory to the Bank, that the respective Junta has the capacity to carry out the rehabilitation of classrooms to be under its responsibility.

This amendment letter shall be executed in two counterparts each of which shall be an original and shall become effective on the date in which the Bank has received one fully executed original of such amendment letter.

Please confirm your agreement to the foregoing amendment by signing and dating the two counterparts of this amendment letter. Upon your confirmation, please return one fully executed original to us.

Very truly yours,

Edilberto L. Segura
Director
Country Department II
Latin America and the Caribbean Region

AGREED AND CONFIRMED

By /s/ Fernando Herrero
(Authorized Representative)

Date: October 25 1995

SCHEDULE I

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:

Amount of the
Loan Allocated
(Expressed in

% of
Expenditures
to be

<u>Category</u>	<u>Dollar Equivalent)</u>	<u>Financed</u>
(1) Civil works under Parts A.5, A.6 and A.7 (limited to the new regional center in Puntarenas and the existing regional centers in San José and Limón	10,800,000	78%
(2) Equipment, furniture and vehicles	1,500,000	100% of foreign expenditures and 85% of local expenditure
(3) Training, and training materials	7,000,000	100%
(4) Technical assistance (including consultants' services and studies)	900,000	100%
(5) Incremental Operating Costs	200,000	100%
(6) Unallocated	2,600,00	
TOTAL	<u>23,000,000</u>	

