

CONFORMED COPY

LOAN NUMBER 7317-CH

Loan Agreement

(Tertiary Education Finance for Results Project)

between

REPUBLIC OF CHILE

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated August 19, 2005

LOAN NUMBER 7317-CH

LOAN AGREEMENT

AGREEMENT, dated August 19, 2005, between REPUBLIC OF CHILE (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter from the Borrower, dated March 30, 2005, describing a program designed to strengthen the Borrower's tertiary education system as needed for the Borrower's development into a knowledge economy (the Program) and declaring the Borrower's commitment to the execution of such program;

(B) the Borrower has requested that the Bank support the Borrower's execution of the Program through two loans over a period of approximately seven years to be utilized by the Borrower in the implementation of the Program;

(C) 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;

(D) WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Loan to the Borrower, in support of the first phase of the Program, upon the terms and conditions set forth in this Agreement; and

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) with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:

"Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Loan, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Bank's policy of requiring economy and efficiency in the use of the proceeds of its loans. To that end, if the Bank shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Loan is excessive or otherwise unreasonable, the Bank may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Loan Agreement as required to be consistent with such policy of the Bank."

(b) Section 6.03 (c) of the General Conditions is amended by replacing the words "corrupt or fraudulent" with the words "corrupt, fraudulent, collusive or coercive".

(c) Paragraph (c) of Section 9.07 of the General Conditions is modified to read as follows:

"(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."

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) "Beneficiary" means any tertiary education institution which is selected, pursuant to the criteria set forth in the Operational Manual, to receive grants under the Innovation Competitive Fund;

(b) "DESUP" means *División de Educación Superior*, the tertiary education division in MINEDUC;

(c) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(d) “Grant Agreement” means any of the agreements referred to in Section 3.01 (b) of this Agreement;

(e) “Innovation Competitive Fund” means the fund referred to in Part B.1 of the Project;

(f) “Innovation Subproject” means a project to be carried out by a Beneficiary, consisting of one or more of the activities set forth in Part B.1 of the Project, and to be financed by the Innovation Competitive Fund;

(g) “Institutional Effectiveness Subproject” means a project to be carried out by a University under Part B.2 of the Project, consisting of activities as shall be proposed by the Borrower and approved by the Bank, and to be partly financed out of the proceeds of the Loan;

(h) “Institutional Performance Agreement” means any of the agreements referred to in Section 3.04 of this Agreement;

(i) “IPP” means the indigenous peoples plan set forth in the letter from the Borrower to the Bank dated March 30, 2005;

(j) “MINEDUC” means the Borrower’s Ministry of Education;

(k) “National System for Quality Assurance Law” means a law substantially in accordance with the draft law (*proyecto de ley*) submitted to the Borrower’s Congress on November 12, 2002;

(l) “Operational Manual” means the manual for the operation of the Project referred to in Section 3.06 of this Agreement;

(m) “Performance Indicators” means the indicators set forth in the letter from the Borrower to the Bank dated March 30, 2005;

(n) “Procurement Plan” means the Borrower’s procurement plan, dated March 30, 2005 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;

(o) “Project Department” means DESUP’s unit referred to in Section 3.03 (a) of this Agreement;

(p) “Student Financial Aid Law” means a law substantially in accordance with the draft law (*proyecto de ley*) submitted to the Borrower’s Congress in July 2002;

(q) “Tertiary Education Observatory Unit” means DESUP’s unit referred to in Section 3.03 (b) of this Agreement; and

(r) “University” means any of the universities referred to in the Borrower’s Ministry of Education’s Decree with Force of Law No. 4 published in the Borrower’s Official *Gazette* on January 20, 1981 which is selected, pursuant to the criteria set forth in the Operational Manual, to carry out an Institutional Effectiveness Subproject.

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 twenty five million and one hundred and thirty thousand dollars (\$25,130,000), 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. 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 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.

Section 2.03. The Closing Date shall be June 30, 2009 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, subject to any waiver of a portion

of such fee as may be determined by the Bank from time to time. 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 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.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objective of the Project, and, to this end, shall carry out the Project through MINEDUC with due diligence and efficiency and in conformity with appropriate administrative, education, economic, financial, social and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall, in the carrying out of Part B.1 of the Project, enter into agreements with each Beneficiary, under terms and conditions substantially similar to those of the model form contained in the Operational Manual (the Grant Agreements), such agreements to provide for: (i) the transfer by the Borrower to such Beneficiary, on a grant basis, of the funds required by such Beneficiary to carry out an Innovation Subproject; and (ii) the obligation of such Beneficiary to carry out such Innovation Subproject as provided in the Operational Manual.

(c) The Borrower shall exercise its rights under the Grant Agreements in such manner as to protect the interests 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 Grant Agreement or any provision thereof.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and 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. The Borrower shall maintain, during the execution of the Project:

(a) a unit in DESUP responsible for Project coordination and management (the Project Department), such unit to maintain a structure and functions satisfactory to the Bank, and to have qualified staff in adequate numbers as required to carry out its responsibilities; and

(b) a unit in DESUP responsible for the collecting, validating, evaluating and disseminating data on tertiary education (the Tertiary Education Observatory Unit), such unit to maintain a structure and functions satisfactory to the Bank, and to have qualified staff in adequate numbers as required to carry out its responsibilities.

Section 3.04. (a) The Borrower shall, in the carrying out of Part B.2 of the Project, through MINEDUC, enter into agreements with each University, under terms and conditions substantially similar to those of the of the model form contained in the Operational Manual (the Institutional Performance Agreements), such agreements to provide for:

- (i) multi-year Institutional Effectiveness Subprojects with related targets for implementation;
- (ii) funding commitments for implementation as per the costing of proposed activities, including the amounts to be financed out of the proceeds of the Loan;
- (iii) financial reporting requirements;
- (iv) payment provisions based on targets met; and
- (v) indicators to monitor progress of the Institutional Effectiveness Subproject and the related targets, and to be used as qualitative and quantitative evidence of targets achieved to pace funding under the Institutional Performance Agreement;

(b) the Borrower shall exercise its rights under the Institutional Performance Agreements in such manner as to protect the interests 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 Institutional Performance Agreement or any provision thereof; and

(c) not later than three months after the Effective Date, enter into at least three of such Institutional Performance Agreements.

Section 3.05. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Performance Indicators, 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, on or about April 15 each year, commencing April 15, 2007, 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 objective thereof during the period following such date; and

(c) review with the bank, by April 30 each year, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

Section 3.06. The Borrower shall carry out the Project in accordance with an operational manual satisfactory to the Bank, said manual to include, *inter alia*:

(a) the procedures for the carrying out, monitoring and evaluation of the Project;

(b) criteria for selection of Beneficiaries, Universities, Innovation Subprojects and Institutional Effectiveness Subprojects;

(c) requirements for implementation of Innovation Subprojects and Institutional Effectiveness Subprojects; and

(d) model forms for the Grant Agreements and Institutional Performance Agreements.

Section 3.07. The Borrower shall carry out the IPP in accordance with its terms.

Section 3.08. 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 before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation 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 in MINEDUC 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 six 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 3.05 of this Agreement, the Borrower shall through DESUP 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 semester 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 semester; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar semester, and shall cover such semester.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, namely, that any Beneficiary or University shall have failed to perform any of its obligations under the respective Grant Agreement or Institutional Performance Agreement.

Section 5.02. Pursuant to Section 7.01 (k) of the General Conditions, the following additional event is specified, namely, that any event specified in Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions namely that the Operational Manual has been issued by the Borrower and approved by the Bank.

Section 6.02. The date November 17, 2005 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
Teatinos 120
Santiago, Chile

Facsimile: (56-2) 698-8903

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 Santiago de Chile, Chile, as of the day and year first above written.

REPUBLIC OF CHILE

By /s/ Nicolás Eyzaguirre Guzmán
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Axel van Trotsenburg
Acting Regional Vice President
Latin America and the Caribbean

Countersigned on behalf of the
Treasurer General of the Republic of Chile

By: /s/ Gianni Lambertini Maldonado
Authorized Representative

Countersigned on behalf of the
Controller General of the Republic of Chile

By: /s/ Gastón Astorquiza Altoner
Authorized Representative

Witnessed on behalf of the Minister of Education:

By: /s/ Pilar Armanet Armanet
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(1) Goods for Part A of the Project	500,000	100%
(2) Consultants' services and Training for Part A of the Project	2,750,000	95%
(3) Innovation Subprojects and Institutional Effectiveness Subprojects	20,500,000	95% of the goods, works and services of the respective Innovation Subproject, and 70% of the goods, works, services and operating costs of the respective Institutional Effectiveness Subproject
(4) Operating Costs	500,000	70%
(5) Front-end fee	251,300	
(6) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09 (c) of this Agreement
(7) Unallocated	<u>628,700</u>	
TOTAL	<u>25,130,000</u>	

2. For the purposes of this Schedule:

(a) the term “Operating Costs” means the reasonable costs of salaries, communications, office supply, and local travel directly related to the performance of the Project activities by DESUP and the commissions referred to in Part A. 3 (a) of the Project, which would not have been incurred absent the Project; and

(b) the term “Training” means the reasonable non-consultant expenditures incurred by DESUP in connection with the carrying out of the training activities under Part A of the Project, including local travel costs, per diem of trainers, trainees, facilitators and stakeholders, and training materials.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$1,000,000, may be made on account of payments made for expenditures before that date but after March 1, 2005;

(b) any expenditures under Part A.1. (c) of the Project, unless the Bank has received evidence, satisfactory to the Bank, that the Student Financial Aid Law has been published in the Borrower’s Official Gazette; and

(c) any expenditures under Part A.3 (b) of the Project unless the Bank has received evidence, satisfactory to the Bank, that the National System for Quality Assurance Law has been published in the Borrower’s Official *Gazette*.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for:

(a) goods, works and services (including those for Institutional Effectiveness Subprojects and Innovation Subprojects) in respect of which no prior review of contracts is required in accordance with the provisions of Section IV of Schedule 4 to this Agreement; and

(b) Training and Operating Costs,

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 increase the effectiveness of the Borrower's funding of tertiary education by enhancing coherence, responsiveness, equity and quality in the system, through stronger accountability for performance.

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: Strengthening of the Institutional Framework for Tertiary Education

1. Strengthening of the Borrower's capacity for oversight and management of the tertiary education sector through, *inter alia*, the establishment and operation of:

- (a) the Project Department;
- (b) the Tertiary Education Observatory Unit; and
- (c) a commission for the management of student financial aid,

and carrying out of workshops as needed for Project implementation.

2. Carrying out of studies for the strengthening of policies and strategies for tertiary education including post-secondary technical education, on *inter alia*:

- (a) the sufficiency and targeting of the student financial aid system for tertiary students;
- (b) the programs targeting indigenous students;
- (c) the structure and efficiency of the tertiary education system;
- (d) the academic degree structure and curricular innovation;
- (e) the transfer of academic credits between institutions; and

(f) such other subjects as shall be proposed by the Borrower and agreed to by the Bank.

3. (a) Strengthening of the capacity of MINEDUC's commissions carrying out quality assurance and accreditation functions through the provision of consultants' services and equipment as needed.

(b) Establishment and operation of an independent national accreditation and quality assurance agency, including equipping as needed.

Part B: Innovation Subprojects and Institutional Effectiveness Subprojects

1. Operation of a national competitive fund to stimulate innovation and strengthen tertiary programs in regards to coherence, responsiveness, equity and quality (the Innovation Competitive Fund), through the provision of grants to Beneficiaries for:

(a) technical training at the tertiary level;

(b) undergraduate university education and university teacher training, including curricula innovation, credit transfer, articulation and networks, transition programs for inadequately prepared secondary school graduates, piloting of preparatory courses for indigenous students, capacity building for results-based management, and strengthening of pedagogical programs; and

(c) graduate university education, in particular creating and strengthening doctoral programs that would contribute to the Borrower's transition to a knowledge-based economy and to achieve gains in efficiency and quality through networking.

2. Carrying out of subprojects to improve the institutional effectiveness of Universities in:

(a) the management of Universities with a results-based approach; and

(b) the delivery of programs responsive to the needs of the Borrower's knowledge economy (the Institutional Effectiveness Subprojects).

* * *

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

SCHEDULE 3

Amortization Schedule

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

<u>Installment Share Payment Date</u>	<u>(Expressed as a %)</u>
On each February 15 and August 15	
Beginning August 15, 2009 through August 15, 2022	3.57%
On February 15, 2023	3.61%

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: 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 Sections I and IV of 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 methods or methods of review by the Bank of particular contracts, have the meanings 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. Limited International Bidding. Sophisticated scientific equipment (regardless of value) which the Bank agrees can only be purchased from a limited number of suppliers may be procured under contracts awarded on the basis of Limited International Bidding.

2. National Competitive Bidding. Goods estimated to cost less than \$500,000 equivalent per contract and works estimated to cost less than \$5,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding, using standard bidding documents satisfactory to the Bank, and the following additional provisions:

(a) All bid-related documents shall be submitted together with the bid, and bidders shall not be required to submit any bid related documents in advance of the deadline for submission of bids.

(b) All bids received on or before the deadline for bid submission shall be admitted for evaluation at the bid opening ceremony and no bids should be rejected at opening.

(c) The evaluation process shall be confidential and, after the public bid opening, information relating to the bids, their examination and recommendations concerning awards shall not be disclosed to bidders or other persons not officially concerned with this process until the publication of contract award, except for the results of the post-qualification process, which should precede the opening of the second bid envelope.

(d) Unit price contracts for works construction shall be priced on the basis of unit prices quoted by bidders after correction of computation errors, and maintaining the total bid price and changing unit prices in accordance to official cost estimates (“compensatory pricing”) is not acceptable.

(e) Foreign contractors shall be allowed to bid and such contractors shall not be required to: (i) register as a condition for bidding; or (ii) have a local representative to bid. Foreign contractors shall, however, register before contract signature.

3. Shopping. Goods estimated to cost less than \$50,000 equivalent per contract and works estimated to cost less than \$350,000 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. Contracts shall be awarded on the basis of proposals received from a short-list of qualified consultants and no open bidding shall be carried out. MINEDUC, the Beneficiaries and Universities shall publicly advertise expressions of interest as the basis for developing lists of firms. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$500,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. 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 in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services 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, 3.7 and 3.8 of the Consultant Guidelines and Section V of this Schedule.

3. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. Individual Consultants. (a) 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 in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. 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.

(b) University professors or scientists from research institutes can be contracted individually provided that they have full time employment contracts with their institution and have regularly exercised their function for a year or more before they are contracted under the Project.

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. All other contracts shall be subject to Post Review by the Bank.