

CONFORMED COPY

LOAN NUMBER 4539-JO

Loan Agreement

(Higher Education Development Project)

between

THE HASHEMITE KINGDOM OF JORDAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated June 8, 2000

LOAN NUMBER 4539-JO

LOAN AGREEMENT

AGREEMENT, dated June 8, 2000, between THE HASHEMITE KINGDOM OF JORDAN (the "Borrower") and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the "Bank").

WHEREAS (A) The Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project; and

(B) The Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement.

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995, (as amended through December 2, 1997) (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) "Eligible Categories" means categories 1 and 2 set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(b) "Eligible Expenditures" means the expenditures for goods and services referred to in Section 2.02 of this Agreement;

(c) "Higher Education Council" means the Council established, as of September 1, 1998, pursuant to the Higher Education Law No. 6 for the year 1998;

(d) "Implementation Manual" means the manual, dated December 21, 1999, setting forth the managerial, financial, administrative and environmental policies and procedures for the execution of the Project, and the eligibility criteria for selection, financing and implementation of Subprojects; as the same may be amended from time to time with the prior written agreement of the Bank;

(e) "NSC" means the National Steering Committee established and operating pursuant to the Borrower's Ministry of Planning decision dated November 28, 1998, and to be maintained pursuant to the provisions of Paragraph 1 of Schedule 5 to this Agreement;

(f) "PIU" means the Project Implementation Unit established in the Borrower's Ministry of Planning and to be maintained by the Borrower for implementation of the Project, referred to in Paragraph 3 of Schedule 5 to this Agreement;

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

(h) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement; and

(i) "Subproject" means, individually, a specific project to be carried out under Part A.2 of the Project in accordance with the terms and conditions of the Implementation Manual, and the term "Subprojects" means, collectively, more than one 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 the Loan Agreement, an amount equal to thirty four million seven hundred thousand United States dollars (\$34,700,000).

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 and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

Section 2.03. The Closing Date shall be December 31, 2005, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

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

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

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

(iv) "LIBOR Total Spread" means, for each Interest Period: (A) three-fourths of one percent (3/4 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

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

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

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency, in conformity with appropriate administrative, educational, economic, financial and environmental practices and in accordance with the Implementation Program set forth in Schedule 5 to this Agreement, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall: (i) furnish to the Bank, for its review and comments, not later than September 1 of each year, commencing September 1, 2000, an estimate of the counterpart funding required to be provided by the Borrower out of its own resources for the Project during the subsequent year; and (ii) taking into account the comments of the Bank, ensure that adequate financing arrangements are made prior to January 1 of each year to cover the counterpart funding required for the Project activities to

be implemented during such year.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project, and to be financed out of the proceeds of the Loan, shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.08 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 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 establish and maintain a financial management system, including records and separate accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures for and in connection with the carrying out of 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 fiscal year audited, in accordance with auditing standards acceptable to the Bank consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six (6) 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 a report of such audit by such auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

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

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

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one (1) year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Project Management Reports or statements of expenditure submitted during such fiscal year, together with the

procedures and internal controls involved in their preparation,
can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than March 1, 2001 or such later date as the Bank shall agree, to prepare quarterly Project management reports, acceptable to the Bank, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

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

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Borrower shall have established and certified by an independent auditor the financial management system, referred to in Section 4.01 of this Agreement, satisfactory to the Bank.

Section 5.02. The date ninety (90) days after the date of this Agreement 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 Planning 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 Planning
P. O. Box 555
Amman
Hashemite Kingdom of Jordan

Cable address:

Telex:

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
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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.

THE HASHEMITE KINGDOM OF JORDAN

By /s/ Taleb Rifai

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Inder K. Sud

Acting Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

A. General

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

Category	Amount of the Loan Allocated (Expressed in US Dollars)	% of Expenditures to be Financed
(1) Goods	32,000,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost); and 85% of local expenditures for other items procured locally
(2) Consultants' Services (including training)	500,000	100%
(3) Fee	347,000	Amount due under Section 2.04 of this

Agreement

(4) Unallocated	1,853,000
TOTAL	34,700,000

2. For the purposes of this Schedule:

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

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

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

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts not exceeding three hundred and fifty thousand dollars (\$350,000) equivalent; (b) contracts for the employment of consulting firms not exceeding one hundred thousand dollars (\$100,000) equivalent; (c) contracts for the employment of individual consultants not exceeding fifty thousand dollars (\$50,000) equivalent; and (d) contracts for training not exceeding fifty thousand dollars (\$50,000) equivalent, under such terms and conditions as the Bank shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall open and maintain in dollars a special deposit account in its Central Bank on terms and conditions satisfactory to the Bank.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the said Special Account shall be made as follows:

(a) until the Bank shall have received: (i) the first Project Management Report referred to in Section 4.02(b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Bank of a Project Management Report pursuant to Section 4.02(b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Bank determines at any time that all further withdrawals should be made by the Borrower directly from the Loan Account; or

(c) 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 (A) the records and accounts for the Special Account or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on

the basis of Project Management Reports.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.

Annex A to SCHEDULE 1

Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex:

(a) the term "Authorized Allocation" means an amount equivalent to US\$2,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to US\$1,000,000 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 US\$8,000,000.

2. Withdrawals of the Special Account's Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Special Account's 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 in the aggregate do not exceed the Authorized Allocation. 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.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Special Account's Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan 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 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.

Annex B to SCHEDULE 1

Operation of Special Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Bank may otherwise specify by notice to the Borrower, all withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Special Account's Eligible Categories.

2. Each application for withdrawal from the Loan Account for deposit into the Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of US\$4,250,000.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to improve the quality, relevance and efficiency of its higher education sector and support its program to reform sector governance.

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: Improvement of Education Quality, Relevance and Efficiency

(1) Carrying out essential infrastructure improvements for information technology networks, management information systems, modern library systems and related faculty training through the provision of equipment, technical assistance services and training.

(2) Improving existing and undertaking new educational and applied research programs through the financing of priority Subprojects, including the upgrading of existing facilities and the provision of equipment, technical assistance services and training.

Part B: Institutional Reform

Strengthening the institutional capacity of the Borrower's Higher Education Council Secretariat and Higher Education Accreditation Council, and the Borrower's

planning and management capacity at the university level, through the provision of equipment, technical assistance services and training.

Part C: Reform of the Community College System

Improving the governance and management of the Borrower's Balqa' Applied University, development of new educational programs at the community colleges of said University, development of faculty and staff at the community colleges of said University, through upgrading of equipment and provision of necessary technical assistance, materials and training.

Part D: Strengthening Project Implementation Capacity

Strengthening the capacity of the NSC, the PIU and university units for implementing the Project through the provision of equipment and training.

* * *

The Project is expected to be completed by June 30, 2005.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars)*
October 15, 2004	880,000
April 15, 2005	905,000
October 15, 2005	935,000
April 15, 2006	965,000
October 15, 2006	995,000
April 15, 2007	1,030,000
October 15, 2007	1,060,000
April 15, 2008	1,095,000
October 15, 2008	1,130,000
April 15, 2009	1,165,000
October 15, 2009	1,200,000
April 15, 2010	1,240,000
October 15, 2010	1,280,000
April 15, 2011	1,320,000
October 15, 2011	1,360,000
April 15, 2012	1,405,000
October 15, 2012	1,450,000
April 15, 2013	1,495,000
October 15, 2013	1,540,000
April 15, 2014	1,590,000
October 15, 2014	1,640,000
April 15, 2015	1,695,000
October 15, 2015	1,745,000
April 15, 2016	1,800,000
October 15, 2016	1,860,000
April 15, 2017	1,920,000
TOTAL	34,700,000

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

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits", published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the "Guidelines") and the following provisions of this Section.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

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

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost five hundred thousand dollars (\$500,000) equivalent or more each.

(b) 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.

(c) Notification and Advertising

The invitation to bid for each contract estimated to cost ten million dollars (\$10,000,000) equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than five hundred thousand dollars (\$500,000) equivalent per contract, up to an aggregate amount not to exceed ten million dollars (\$10,000,000) equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than one hundred thousand dollars (\$100,000) equivalent per contract, up to an aggregate amount not to exceed two million dollars (\$2,000,000) equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Goods estimated to cost less than five thousand dollars (\$5,000) equivalent per contract, up to an aggregate amount not to exceed four hundred thousand dollars (\$400,000) equivalent, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.7 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (i) the first three contracts, irrespective of the method of procurement or the type of goods, (ii) all contracts related to the purchase of information technology equipment, and (iii) all contracts for goods to be procured pursuant to the provisions of Part B, the procedures set forth in paragraphs 2 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. Selection Based on Consultants Qualifications

Services under Subprojects, estimated to cost less than one hundred thousand dollars (\$100,000) equivalent per contract for firms, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services under Subprojects, estimated to cost less than one hundred thousand dollars (\$100,000) equivalent per contract for firms, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for teaching, research and peer review shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms, 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, 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 said approval shall have been given.

SCHEDULE 5

Implementation Program

NSC

1. (a) For the purpose of ensuring the proper coordination of the Project, the Borrower shall maintain the NSC for the duration of the Project.

(b) The functions of the NSC shall include, inter alia:

- (i) responsibility for setting and monitoring the overall policy guidelines for Project implementation;
- (ii) ensuring the proper application of the Implementation Manual;
- (iii) reviewing with the Bank, at such intervals as the Bank shall request, the Implementation Manual, and, based upon such reviews, updating the same as may be agreed by the Bank; and
- (iv) review and approval of the annual work plans for the Project, including the budget for the operation of the PIU.

2. NSC shall establish, not later than September 1, 2000, for the purposes of reviewing and approving the Subprojects, The Fund Committee with composition and term of reference acceptable to the Bank. Thereafter, the Fund Committee shall review and approve the Subproject in accordance with the Implementation Manual.

PIU

3. (a) For the purpose of ensuring the proper implementation of the Project, the Borrower shall maintain the PIU with organization, staffing and terms of reference satisfactory to the Bank.

(b) The functions of the PIU shall include, inter alia: (i) to assume the day-to-day responsibility for coordinating overall Project implementation; (ii) to prepare annual work plans, including operations and budgets; and (iii) to maintain the financial management system referred to in Section 4.01 of this Agreement.

Subprojects under Part A.2 of the Project

4. The Borrower shall cause the PIU:

(a) to ensure that Subprojects are prepared, appraised, decided upon and carried out in accordance with the terms and conditions of the Implementation Manual; and

(b) to prepare and furnish to the Bank through NSC: (i) not later than August 1 in each year, a report on the processing of Subprojects during the preceding twelve (12) months; and (ii) following the completion of each Subproject, an impact evaluation of such Subproject, in such detail and of such scope as the Bank shall have specified.

5. (a) The Borrower shall cause the NSC to enter into agreements, satisfactory to the Bank, with universities that are selected for the purposes of carrying out Subprojects, providing, inter alia, for: (i) the institutional and operational arrangements to be undertaken by said universities for the preparation and the carrying out of the Subprojects; and (ii) their obligation to carry out the

Subprojects with due diligence and efficiency and in accordance with appropriate managerial, administrative, engineering, procurement, environmental and financial practices as set forth in the Implementation Manual.

(b) Except as the Bank shall otherwise agree, the NSC shall not amend or fail to enforce the provisions of the agreements referred to in sub-paragraph (a) of this Paragraph.

Annual Reviews

6. The Borrower shall ensure that NSC:

(a) maintains policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) without limitation or restriction upon the provisions of Sections 9.01 and 9.07 (a) of the General Conditions, furnishes the following reports, of such scope and in such detail as the Bank may reasonably request:

(i) semi-annual reports on the progress achieved in the implementation of the Project; and

(ii) not later than August 1 of each year a report integrating the results of the semi-annual progress reports, including a review of performance indicators and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the subsequent year; and

(c) reviews with the Bank, not later than September 15 of each year until completion of the Project, or such later date as the Bank shall request, the reports referred to in subparagraph (b) (ii) hereof, and, thereafter, takes all measures required to ensure the efficient implementation of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of said reports and the Bank's views on the matter.

Mid-term Review

7. The Borrower shall ensure that NSC:

(a) prepares, under terms of reference satisfactory to the Bank, and furnishes to the Bank, not later than June 30, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to Paragraph 5 above during the period preceding the date of such report; and

(b) reviews with the Bank, not later than September 30, 2002, or such later date as the Bank shall request, the report referred to in subparagraph (a) above, and, thereafter, takes all measures necessary to ensure the efficient completion of the Project and the achievement of the objectives thereof, taking into consideration the conclusions and recommendations of said report and the Bank's views on the matter.

Reform Actions

8. The Borrower shall:

(a) not later than June 1, 2000, furnish to the Bank a time-based action plan for operationalizing the Higher Education Council Secretariat, referred to in Part B of the Project;

(b) promptly thereafter, implement said action plan with due diligence and efficiency based on the Bank's recommendations thereon; and

(c) implement the action plan for operationalizing the Higher Education Accreditation Council in accordance with the agreed upon timetable.

9. Commencing in fiscal year 2000, the Borrower shall provide evidence to the Bank that government funds for public universities have been distributed among its public

universities in accordance with a methodology and a resource allocation formula acceptable to the Bank.

