



LOAN NUMBER 3921-AR

Loan Agreement

(Higher Education Reform Project)

between

ARGENTINE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *DECEMBER 5*, 1995

Loan Number 3921-AR

LOAN AGREEMENT

AGREEMENT, dated DECEMBER 5, 1995, between ARGENTINE REPUBLIC (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) In Section 6.02, subparagraph (k) is relettered as subparagraph (l) and a new subparagraph (k) is added to read:
 - "(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "CIS" means the international supervision committee (Comité Internacional de Supervisión) to be established by the Borrower in accordance with the provisions of Section 3.07 of this Agreement;

(b) "CONEAU" means the Borrower's National University Evaluation and Accreditation Commission (Comisión Nacional de Evaluación y Acreditación) to be established in accordance with the provisions of Section 3.04(c)(i) of this Agreement;

(c) "FOMECE" means the Borrower's Fund for Enhancement of Educational Quality (Fondo de Mejoramiento de la Calidad) established by Presidential Decree No.408 dated March 23, 1995;

(d) "FOMECE Operational Manual" means the manual for the execution of Part B of the Project referred to in Section 3.06(a) of this Agreement;

(e) "MNCE" means the Borrower's Ministry of Culture and Education (Ministerio Nacional de Cultura y Educación);

(f) "Monitoring Indicators" means the input indicators, process indicators, and outcome indicators set forth in Annex 1 to the letter from the Borrower to the Bank of even date with this Agreement;

(g) "PIU" means the project implementation unit to be established in accordance with the provisions of Section 3.04 (a) of this Agreement;

(h) "Project Preparation Advance" means the project preparation advances granted by the Bank to the Borrower pursuant to the letters signed by the Bank and the Borrower on January 10, 1994, January 28, 1994 and May 9, 1994.

(i) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(j) "Subprojects" means specific projects, to be carried out by universities under the responsibility of the Borrower, for increasing quality and efficiency in higher education to be financed by FOMECE under Part B.2 of the Project, and "Subproject" means any one of them;

(k) "SUP" means MNCE's Secretariat for University Policies (Secretaría de Políticas Universitarias); and

(l) "year" means the Borrower's fiscal year.

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, various currencies that shall have an aggregate value equivalent to the amount of one hundred sixty-five million dollars (\$165,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(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 or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 2001 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 commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (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 the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(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 Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on April 1 and October 1 in each year.

Section 2.07. 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. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end:

(a) shall carry out the Project through MNCE with due diligence and efficiency and in conformity with appropriate administrative, financial and educational practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project, of which an amount equivalent to approximately \$2,000,000 shall be made available, each year during the execution of the Project, to cover the operating costs of CONEAU, FOMEC and PIU and the incremental recurrent costs of SUP; and

(b) without limitation upon the provisions of paragraph (a) of this Section, shall make available not less than \$108,000,000 equivalent as counterpart funds over the period of the execution of the Project.

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

Section 3.03. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

(a) prepare 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, of such scope and in such detail as the Bank shall reasonably request, for the future operation of the Project;

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

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Bank's comments thereon.

Section 3.04. The Borrower, through MNCE, shall, during the execution of the Project:

(a) establish and thereafter maintain a unit within MNCE in charge of the coordination of the overall execution of the Project (the PIU), with staff, responsibilities and functions satisfactory to the Bank;

(b) (i) maintain FOMECE within MNCE for the execution of Part B of the Project with staff, responsibilities and functions satisfactory to the Bank; and (ii) have a permanent executive director for FOMECE with qualifications and experience acceptable to the Bank, such director to be appointed not later than twelve months after the Effective Date;

(c) (i) establish and thereafter maintain CONEAU for the execution of Part A.2 of the Project in accordance with terms of reference acceptable to the Bank; and (ii) have a permanent executive director for CONEAU with qualifications and experience acceptable to the Bank, such director to be appointed not later than twelve months after the Effective Date; and

(d) provide, promptly as needed, the funds, facilities, services and other resources required by the PIU, FOMECE and CONEAU to carry out their functions and responsibilities in a timely manner.

Section 3.05. The Borrower, through MNCE, shall cause CONEAU to use methodologies for self- and external evaluations of national universities and for accreditation of undergraduate and graduate programs acceptable to the Bank.

Section 3.06. The Borrower, through MNCE, shall cause FOMECE:

(a) to carry out Parts B.1 and B.2 of the Project in accordance with the provisions of a manual approved by the Bank and the agreements referred to in paragraph (b) below; and

(b) to enter into agreements with universities under the responsibility of the Borrower for the financing of Subprojects on the basis of a standard Subproject agreement approved by the Bank which shall specify, inter alia, that universities carrying out Subprojects shall apply the provisions with respect to procurement set forth or referred to in this Agreement.

Section 3.07. The Borrower, through MNCE, shall establish the CIS on the basis of terms of reference acceptable to the Bank, and shall, during the implementation of the Project, cause it:

(a) to carry out an annual evaluation of: (i) the results of FOMECE's operations and their impact on quality and efficiency improvements of universities carrying out Subprojects; and (ii) the transparency and objectivity of FOMECE's selection procedures; and

(b) to formulate appropriate recommendations in light of the results of said evaluations.

Section 3.08. Without limitation upon the provisions of Section 9.07 of the General Conditions, the Borrower, through the PIU, shall:

(a) not later than May 31 of each year during Project execution furnish to the Bank a consolidated annual progress report of such scope and in such detail as the Bank shall reasonably request, including:

(i) a summary of Project activities during the past year, including a report on the performance of the Project as measured by the Monitoring Indicators and including the investment and recurrent cost requirements of the Project for the following year;

(ii) a summary of financial and physical commitments for each Project component as compared with the original plan;

(iii) a summary of the implementation issues; and

(iv) an updated Project implementation schedule and action plans for the implementation of each of the Project components during the current year;

(b) not later than June 30 of each year of Project execution conduct a joint annual progress review with the Bank on the basis of the progress report referred to in paragraph (a) above;

(c) during the thirtieth month after the Effective Date, undertake a review with the Bank of the progress in the execution of the Project and the attainment of its objectives, with special emphasis on:

- (i) performance of the Project as measured by the Monitoring Indicators;
- (ii) compliance with the provisions of this Agreement and adequacy and timeliness of the Borrower's financial contribution to the cost of the Project;
- (iii) an assessment of FOMEC and its procedures, including an evaluation of a sample of Subprojects; and
- (iv) compliance with the provisions on procurement and disbursement of this Agreement, particularly with respect to the execution of the Subprojects;

(d) promptly take all such action, satisfactory to the Bank, as shall be necessary for the efficient execution of the Project or the achievement of its objectives if, as a result of the reviews referred to in paragraphs (a) and (c) above, progress in the execution of the Project or in the achievement of its objectives is not satisfactory to the Bank, including execution of action plans acceptable to the Bank.

Section 3.09. The Borrower shall carry out the plan referred to in paragraph (e) of Section 5.01 of this Agreement in accordance with the terms thereof.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and separate accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each year audited, in accordance with appropriate auditing principles 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 months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including, inter alia: (A) a statement of sources and applications of funds, (B) supplementary financial information showing financial Project performance, (C) compliance opinions on the financial and managerial provisions of this Agreement, (D) a statement of the audit procedures utilized, and (E) a financial audit of FOMECC's accounts, a physical audit of a representative sample of Subprojects, and compliance with the procurement provisions of the Loan Agreement and the Subproject agreements; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

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

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

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

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) the PIU has been established in accordance with the provisions of Section 3.04 (a) of this Agreement;
- (b) all members of FOMECE's executive council, with qualifications and experience acceptable to the Bank, have been appointed, and FOMECE has started operations;
- (c) all members of CONEAU's executive council have been appointed, and CONEAU has started operations;
- (d) the standard Subproject agreement referred to in Section 3.06 (b) of this Agreement has been approved by the Bank; and
- (e) a formula, satisfactory to the Bank, has been adopted by the Borrower for the allocation of budgetary resources among the universities under the responsibility of the Borrower, and a plan, satisfactory to the Bank, for the implementation of such allocation has been furnished to the Bank.

Section 5.02. The date March 5, 1996 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 Economy and Public Works and Services 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:

Ministerio de Economía y Obras
y Servicios Públicos
Hípolito Yrigoyen 250
Buenos Aires, Argentina

Telex:

(390) 21-952

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 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Buenos Aires, Argentina, as of the day and year first above written.

ARGENTINE REPUBLIC

By /s/ DOMINGO FELIPE NANKANI

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ GOBIND T. NANKANI

ACTING Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	58,500,000	70%
(2) Consultants' services	23,000,000	80%
(3) Scholarships	67,500,000	60%
(4) Works	300,000	50%
(5) Refunding of Project Preparation Advance	1,262,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	14,438,000	
TOTAL	<u>165,000,000</u>	

2. For the purposes of this Schedule:

(a) the term "Goods" means office equipment (including computers and software and communications equipment), furniture, library items, laboratory and pedagogic equipment and materials; and

(b) the term "Consultants' services" means consultants' services, services of visiting professors, and studies.

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, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$5,000,000, may be made on account of payments made for expenditures before that date but after March 1, 1995.

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

(a) not exceeding \$100,000 equivalent for computers, office equipment and laboratory and pedagogic equipment and materials, not exceeding \$350,000 equivalent for furniture and library items (except for the first two contracts in each year), and not exceeding \$350,000 equivalent for works;

(b) not exceeding \$100,000 equivalent with consultants' firms and not exceeding \$50,000 equivalent with individual consultants, and

(c) to be financed under Categories (3) or (4) of the table in paragraph 1 of this Schedule,

all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to establish a more competitive environment for the improvement of higher education and to provide, through a transparent funding mechanism, the appropriate incentives for continuous educational efficiency gains and quality enhancement.

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: Institutional Strengthening

1. Improvement of the Planning and Management Capacity of SUP

Improvement of the planning and management capacity of SUP through:

(a) training, locally or overseas, of SUP staff members, study tours for SUP staff members and organization of seminars on university management;

(b) the carrying out of studies to improve the management capacity of SUP with respect to, inter alia, private sector monitoring, filing and accounting systems and legal services;

(c) establishment of a documentation center within SUP, including the rehabilitation of facilities and the acquisition of books and periodicals on higher education and of office equipment; and

(d) rehabilitation of SUP offices, including the acquisition of office furniture and technology.

2. CONEAU

Operation of CONEAU in order to promote the process of self-evaluation by public and private universities, to develop the external evaluation of universities, and to accredit the undergraduate programs of public interest (such as medicine and law) and graduate programs in all disciplines.

3. Information and University Budget Allocation System

(a) Design and operation of a technologically modern management information and statistical data system for SUP to integrate various existing modules needed for decision-making within SUP and providing adequate data and system compatibility with the statistical systems of the public universities.

(b) Development and use of a new objective method of allocation of budgetary resources between public universities, including development of a new methodology to measure the economic cost of public university operations.

4. Inter-University Information Network

Development and operation by SUP of a network system for establishing scientific communication and technical data links in accordance with accepted international standards and for exchanging library information between the departments and libraries of different public universities.

Part B: FOMECE

1. Operation of FOMECE in accordance with the organizational structure and functions set forth in the FOMECE Operational Manual.

2. Increasing quality and efficiency in public higher education through FOMECE's financing on a grant basis of Subprojects in: (a) basic sciences and engineering at both the undergraduate and the graduate levels, and (b) all other disciplines at the graduate level.

* * *

The Project is expected to be completed by December 31, 2000.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
On each April 1 and October 1	
beginning April 1, 2001 through October 1, 2010	\$,250,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

<u>Time of Prepayment</u>	<u>Premium</u>
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.20
More than three years but not more than six years before maturity	0.40
More than six years but not more than 11 years before maturity	0.73
More than 11 years but not more than 13 years before maturity	0.87
More than 13 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines), and in accordance with the following additional procedures:

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Bank's prior review in accordance with the provisions of Part D.1 (a) of this Section, the Bank's prior approval will be required for: (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days; and (ii) any subsequent extension of the bid validity period.

(b) In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$350,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Argentina may be granted a margin of preference in

accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Furniture and library items estimated to cost the equivalent of less than \$350,000 per contract, up to an aggregate amount equivalent to \$6,700,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Office equipment and laboratory and pedagogic equipment and materials estimated to cost the equivalent of less than \$350,000 per contract but the equivalent of \$100,000 or more per contract may be procured through limited international bidding procedures on the basis of a list of potential suppliers broad enough to assure competitive prices (which list is to include all suppliers when there is only a limited number) and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof). The Borrower, through the PIU, shall submit this list to the Bank for approval before inviting bids.

3. Goods estimated to cost the equivalent of less than \$100,000 per contract, up to an aggregate amount equivalent to \$42,300,000, and works estimated to cost the equivalent of \$350,000 or less per contract, up to an aggregate amount equivalent to \$700,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

4. In the procurement of goods and works in accordance with Part C.1 and C.2 hereof, the Borrower shall use or cause to be used the standard bidding documents transmitted by the Borrower to the Bank under cover of the letter dated June 30, 1995.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for goods procured pursuant to Part A or Part C.2 hereof, and the first two contracts for goods each year procured pursuant to Part C.1 hereof, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank. For all other assignments, the Borrower shall use or cause to be used the standard letter of invitation and contract transmitted to the Bank by the Borrower under the letter dated June 30, 1995.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, this exception to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to

contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) 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 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 an amount equivalent to \$10,000,000 to be withdrawn from the Loan Account and deposited in 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 an amount equivalent to \$5,000,000 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 be equal to or exceed the equivalent of \$30,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits 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 in 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; or

(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, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, 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.

INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT

CERTIFICATE

I hereby certify that the foregoing is a true copy of
the original in the archives of the International Bank
for Reconstruction and Development.



FOR SECRETARY