

CONFORMED COPY

LOAN NUMBER 3456 TUN

(Higher Education Restructuring Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated April 11, 1992

LOAN NUMBER 3456 TUN

LOAN AGREEMENT

AGREEMENT, dated April 11, 1992, between the REPUBLIC OF TUNISIA (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

WHEREAS (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" 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, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "MES" means the Borrower's Ministry of Education and Sciences (Minist re de l'Education et des Sciences) established pursuant to the Borrower's Decree No. 91-270, dated February 20, 1991;

(b) "Central Bank" means the Borrower's Central Bank (Banque Centrale de Tunisie) established and operating pursuant to the Borrower's Law No. 58-90, dated September 19, 1958;

(c) "ISET" means any post-secondary Higher Institute of Technology (Institut Sup rieur des Etudes Technologiques) to be established by the Borrower under Part A.1 of the Project, and the term "ISETs" means, collectively, all of the said ISETs;

(d) "Law" means the Borrower's law (loi cadre) establishing the general legal framework for the creation of the ISETs as scientific and technological public institutions (Etablissements Publics Caract re Scientifique et Technologique) and the Borrower's law establishing the ISETs of Tunis, Sousse and Sfax;

(e) "ISTs" means, collectively, the existing Higher Technical Institutes (Institut Sup rieur Technique) to be converted into ISETs under Part A.1 of the Project;

(f) "PNRU" means the Borrower's National Program for University Improvement (Programme National de R novation Universitaire) to be implemented by the MES pursuant to Part B of the Project;

(g) "Sub-project" means any sub-project to be funded under the PNRU;

(h) "CRU" means the Borrower's Committee for University Improvement (Comit de R novation Universitaire) established pursuant to the MES Decision No. CAB/259, dated December 31, 1991, to be responsible for the selection of the Sub-projects eligible for PNRU funding;

(i) "SAGES" means the Normative Resource Allocation System (Syst me d'Analyse et de Gestion de l'Enseignement Sup rieur) to be established by the MES pursuant to Part C.1 of the Project;

(j) "higher education institution" means any of the Borrower's post-secondary universities, faculties, institutes and schools, including the ISETs and ISTs;

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

(l) "Fiscal Year" or "FY" means the twelve (12) month period corresponding to any of the Borrower's fiscal years, which period

commences on January 1 and ends on December 31 in each calendar 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 this Agreement, various currencies that shall have an aggregate value equivalent to the amount of seventy-five million dollars (\$75,000,000), 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 shall, for the purposes of the Project, open and maintain in dollars a special deposit account in the Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1998 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 June 15 and December 15 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, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, educational, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for 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. The Borrower shall furnish to the Bank for its review and comment as soon as available, but in any case not later than forty-five (45) days after the end of each Fiscal Year, a report, in such detail and of such scope as the Bank shall have reasonably requested, on the expenditures incurred by the Borrower in carrying out the Project during the preceding Fiscal Year and on the projected expenditures to be incurred in connection thereto during the following Fiscal Year.

Section 3.04. During the execution of the Project, the Borrower shall maintain, or cause to be maintained, a Project Coordinator within the MES, with qualifications and experience satisfactory to both the Bank and the Borrower, who shall have overall responsibility for: (i) administrative coordination of the Project, including the preparation of a detailed implementation schedule for each Fiscal Year; (ii) monitoring and evaluation of all Project activities, including procurement, disbursement and the preparation of annual progress reports pursuant to implementation and performance attainment indicators satisfactory to the Bank; and (iii) liaison with the Bank for the purposes of Project implementation.

Section 3.05. During the execution of the Project, the

Borrower shall maintain, or cause to be maintained, the CRU, which shall include representatives of the MES, the teaching staff of the higher education institutions, and individuals who represent the economic and social sectors. The CRU shall be responsible for appraising and selecting the Sub-projects to be funded under the PNRU, in accordance with the selection criteria and operational indicators set forth in the procedural manual to be prepared by the Borrower, as such manual may be modified with the Bank's prior approval upon the request of the CRU.

Section 3.06. (a) The Borrower shall submit to the Bank for its prior review and approval: (i) the first ten Sub-project proposals, regardless of the cost thereof, selected by the CRU and approved by the MES for PNRU funding; and (ii) Sub-project proposals selected by the CRU and approved by the MES for PNRU funding estimated to cost the equivalent of \$500,000 or more.

(b) The Borrower shall submit to the Bank for its information a list of other Sub-projects selected by the CRU and approved by the MES, including a brief description of the Sub-project, its cost and identification number.

Section 3.07. (a) The Borrower shall take all measures necessary to ensure that:

- (i) beginning with the FY 1995 budget, the MES's annual operating and investment budget for higher education shall be prepared and allocated among higher education institutions on the basis of the SAGES;
- (ii) the MES's organizational units to be created under Parts C.3 and C.5 of the Project shall be formalized and provided with resources adequate to carry out their responsibilities not later than December 31, 1993;
- (iii) suitable pedagogic programs to be followed by each of the ISETs' departments shall be defined, on the basis, inter alia, of surveys of local enterprises, economic development prospects and regional development characteristics, not later than December 31, 1993; and
- (iv) the preliminary study defining the content and duration of the training programs to be provided under Part C.4 of the Project shall be completed, upon terms and conditions satisfactory to the Bank, prior to the implementation thereof.

(b) The Borrower shall promptly inform the Bank of the steps taken to implement the measures referred to in paragraph (a) of this Section.

Section 3.08. The Borrower shall take all action necessary to publish in its Journal Officiel, not later than December 31, 1992, the law changing the present legal personality of the ISTs of Nabeul and Gab s to that of an ISET.

Section 3.09. Following the establishment of the ISETs, the Borrower shall take all action necessary to maintain in force the Law, the law referred to in Section 3.08 hereof, decrees and other regulations relating to the establishment and operation of the ISETs.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained separate records and 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 Fiscal 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 (6) 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; 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 one year after the Bank has received the audit report for the Fiscal 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 Fiscal 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 Borrower shall have published in its Journal Officiel: (i) the Law; and (ii) the decrees necessary for the implementation of the Law, all in form and content satisfactory to the Bank;

(b) The Borrower shall have furnished, or shall have caused to be furnished to the Bank the procedural manual referred to in Section 3.05 hereof, in a form and substance satisfactory to the Bank;

(c) The Borrower shall have established, or shall have caused to be established within the MES, under arrangements satisfactory to the Bank, the organizational units responsible for the implementation of the ISETs program referred to in Part A of the Project and the PNRU program referred to in Part B of the Project; and

(d) The Borrower shall have appointed, or shall have caused to be appointed, within the MES: (i) the Project Coordinator referred to in Section 3.04 hereof; (ii) a manager to the Unit for Evaluation, Projects and Programs; and (iii) a manager to the Unit for Technological Studies.

Section 5.02. The date one hundred twenty (120) 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 and Regional Development of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Planning and Regional Development  
Place Ali Zouaoui  
Tunis  
Republic of Tunisia

Cable address:	Telex:
351666	15117

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:
INTBAFRAD Washington, D.C.	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 Tunis, Republic of Tunisia, as of the day and year first above written.

REPUBLIC OF TUNISIA

By /s/ Mustapha K. Nabli  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ C. K. Koch-Weser  
Regional Vice President  
Middle East and North Africa

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:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) For Part A of the Project		
(a) Civil Works, including architects' fees	13,200,000	40%
(b) Equipment, furniture and educational materials	17,200,000	100% of foreign expenditures, 100% of local expendi- tures (ex-factory cost) and 85% of local expenditures for other items procured locally
(c) Consultants' services and training, including scholar- ships and fellowships	11,000,000	100% of foreign expenditures and 85% of local expenditures
	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(2) For Part B of the Project		
Equipment, furniture, educational materials, consultants' services and training, including scholar- ships and fellowships	23,400,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expendi- tures for other items procured locally
(3) For Part C of the Project		
(a) Equipment, vehicles and educational materials	1,100,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85%



Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed	of local expenditures for other items procured locally
(b) Consultants' services and training, including local scholarships and fellowships	1,200,000	100% of foreign expenditures and 85% of local expenditures	
(4) Unallocated for Parts A and C of the Project	7,900,000		
TOTAL	75,000,000 =====		

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, except that withdrawals, in an aggregate amount not to exceed \$4,000,000, may be made in respect of Categories (1) (a) and (c), (2) and (3) on account of payments made for expenditures before that date but after September 30, 1991.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower in making its higher education system more cost-effective and responsive to the needs of its labor market by: (i) increasing the number of technical graduates; (ii) providing incentives to higher education institutions to reform their programs and curricula; and (iii) strengthening the higher education system's planning and management capacity and improving the distribution and use of resources following a normative system for resource allocation.

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: Establishment of Higher Institutes of Technology (ISETs)

Carrying out of a program to establish five (5) ISETs offering intensive programs aimed at training technical graduates, consisting of:

1. Construction of three (3) new ISETs in Tunis, Sfax and Sousse, and conversion of the ISTs in Nabeul and Gab s into ISETs, and provision of equipment, furniture, textbooks and technical assistance.

2. Development of a permanent training capacity for the teaching staff of the ISETs as required to assure that said staff deliver the appropriate learning and practical experience, through the: (i) provision of: (A) training, including local scholarships, overseas fellowships and stipends; and (B) pedagogical equipment, materials and textbooks; and (ii) establishment of a unit to be responsible for coordinating, designing and monitoring the teacher training.

3. Provision of consultants' services to the ISETs for: (i) curriculum and program development; (ii) formulation of equipment needs; (iii) training of department managers during the first year of ISETs' operation; and (iv) course and program monitoring and student evaluation, including a mid-program pedagogical evaluation.

Part B: National Program for University Improvement (PNRU)

1. Carrying out of a program providing incentives to existing higher education institutions to undertake programs and curricula reform to increase their internal and external efficiency and improve the quality of the instruction and learning process, through funding of Sub-projects aimed, inter alia, at introducing new undergraduate study programs, diversifying career options, improving training programs for secondary teachers and engineers, increasing computer availability, improving library and related services and reorganizing post-graduate study programs, to be selected on the basis of agreed selection criteria and operational indicators as set forth in the PNRU procedural manual.

2. Construction of small rehabilitation works, and provision of equipment, furniture, educational materials and consultants' services in respect thereof.

Part C: Strengthening of Planning and Managerial Capabilities

Provision of consultants' services, office equipment, vehicles, training, local scholarships and overseas fellowships for:

1. Development of a normative performance-based budgetary allocation system of human, physical and financial resources (SAGES), consisting of the: (i) setting up of a data bank on the existing higher education resources, organization and delivery system; (ii) definition, on the basis of such information, of norms to optimally allocate said resources; and (iii) introduction, at the MES's level, of a computerized allocation system to apportion, on the basis of such norms, the annual higher education operating budget and equipment among institutions.

2. Strengthening of the managerial and maintenance capabilities in higher education institutions in the areas of student admission and records, course programming and facility utilization.

3. Establishment of an evaluation body to evaluate the efficiency of higher education programs and implementation of an accreditation system for all new curricula proposed by higher education institutions.

4. Provision of training to university managers to enable them to effectively carry out their newly-defined responsibilities under the reformed university system.

5. Strengthening of the MES through the reorganization of its internal structure, including the establishment of a unit responsible for academic and planning development, a Unit for Evaluation, Projects and Programs, a Unit for Technological Studies, and, within the Department of Planning and Statistics, a unit responsible for the university management rationalization program.

\* \* \* \*

The Project is expected to be completed by June 30, 1998.

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each June 15 and December 15	
beginning December 15, 1997	3,125,000
through June 15, 2009	

---

\* The figure in this column represents the dollar equivalent 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:

Time of Prepayment	Premium
	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	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than eleven years before maturity	0.65
More than eleven years but not more than fifteen years before maturity	0.88
More than fifteen years before	1.00

maturity

#### 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 1985 (the Guidelines).

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of one hundred thousand dollars (\$100,000) 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 the Borrower's territory 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

###### Limited International Bidding

1. Goods required for Part B of the Project estimated to cost less than the equivalent of \$500,000 per contract, up to an aggregate amount not to exceed the equivalent of \$7,000,000, may be procured under contracts awarded through limited international bidding procedures on the basis of the evaluation and comparison of bids invited from a list of at least three (3) qualified suppliers eligible under the 1985 Guidelines 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).

###### Local Competitive Bidding

2. Civil works contracts required for Part A.1 of the Project estimated to cost more than the equivalent of \$50,000 per contract, up to an aggregate amount equivalent to \$34,100,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

###### Shopping

3. Civil works contracts required for Part A.1 of the Project estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount equivalent to \$4,000,000, and textbooks, office, computer and pedagogical equipment required for Parts A.1 and 2, B and C of the Project estimated to cost less than the equivalent of \$100,000 per contract, up to an aggregate amount equivalent to \$6,400,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three (3) contractors or three (3) suppliers eligible under the Guidelines, all in accordance with procedures acceptable to the Bank.

###### Direct Contracting

4. Contracts for computer software and specialized programs, textbooks and pedagogical publications and spare parts, for which there is only one (1) supplier identified, up to an aggregate amount equivalent to \$1,000,000, may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the

Bank.

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: (i) each contract for works and goods estimated to cost more than the equivalent of \$350,000; and (ii) the first contract for goods and works to be awarded under Parts A.1, C.1 and C.2 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 (2) 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 for works and goods estimated to cost less than the equivalent of \$350,000, 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 the Bank has authorized withdrawals on the basis of statements of expenditure.

2. The figure of 20% 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 reforming its higher education system, the Borrower shall employ consultants: (i) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (ii) who 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 Consultants' Guidelines).

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultants' Guidelines requiring prior Bank review or approval of terms of reference, budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost the equivalent of fifty thousand dollars (\$50,000) each, or less. In respect of each such contract, the Borrower shall furnish to the Bank, promptly after its execution and prior to the delivery to the Bank of the first application for withdrawal of funds from the Loan Account in respect thereof, two conformed copies of such contract, together with the analysis of the respective evaluation and recommendations for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the award of the contract, or the contract itself, is not consistent with the Loan Agreement or the Consultants' Guidelines, promptly inform the Borrower and state the reasons for such determination.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1), (2)

and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$3,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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) 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.

