

CONFORMED COPY

LOAN NUMBER 7392 - TUN

Loan Agreement

(Second Higher Education Reform Support Project)

between

REPUBLIC OF TUNISIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated July 18, 2006

LOAN NUMBER 7392 - TUN

LOAN AGREEMENT

AGREEMENT, dated July 18, 2006, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and REPUBLIC OF TUNISIA (the Borrower).

WHEREAS (A) the Bank has received a letter from the Borrower dated May 5, 2006 describing the Borrower's program of actions, objectives and policies for the period 2006-2011, relating to the development of the Borrower's higher education system and designed to respond to the growing demand for higher education and to improve the quality and financial sustainability of said system ("Programme de Développement de l'Enseignement Supérieur et d'Appui à la Qualité") (the Program), and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower, having been satisfied as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project; 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 for Fixed-Spread Loans" of the Bank dated September 1, 1999 (as amended through May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

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

"Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower or the Guarantor on the goods or services to be financed under the Loan, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Bank's policy of requiring economy and efficiency in the use of the proceeds of its loans. To that end, if the Bank shall at any time determine that the amount of any taxes

levied on or in respect of any item to be financed out of the proceeds of the Loan is excessive or otherwise unreasonable, the Bank may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Loan Agreement as required to be consistent with such policy of the Bank.”

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

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

(a) “Beneficiary” means either a university or a higher education and research institution eligible to receive, as the case may be, a Competitive Block Grant (as this term is hereinafter defined) or a Management Capacity Grant (as this term is hereinafter defined) for a Sub-project (as this term is hereinafter defined) to be carried out under Part C of the Project;

(b) “BEPP” means Bureau for Studies, Planning and Policy (“Bureau des Etudes, de la Planification et de la Programmation”) established within MOHE (as this term is hereinafter defined);

(c) “Central Bank” means the Central Bank of Tunisia (“Banque Centrale de Tunisie”) established and operating pursuant to the Borrower’s Law No. 58-90 dated September 19, 1958, as the same may be amended from time to time;

(d) “Competitive Block Grants” means a grant made or proposed to be made by the Borrower out of the proceeds of the Loan to a higher education and research institution in the Borrower’s territory, for financing a Sub-project (as this term is hereinafter defined) through a Grant Agreement (as this term is hereinafter defined) under Part C (1) of the Project, in accordance with the provisions of Parts B and C of Schedule 5 to this Agreement;

(e) “DGRU” means Department of University Reform (“Direction Générale de la Rénovation Universitaire”) established within MOHE (as this term is hereinafter defined);

(f) “DGSC” means General Directorate of Support Services (“Direction Générale des Services Communs”) established within MOHE (as this term is hereinafter defined);

(g) “Eligibility Criteria” means the criteria for the selection and award of Competitive Block Grants and Management Capacity Grants (as this term is hereinafter defined) set forth in Part B of Schedule 5 to this Agreement;

(h) “Eligible Categories” means the categories (1), (2), (3), (4) and (5) set forth in the table included in paragraph 1, Schedule 1 to this Agreement;

(i) “Environmental Management Framework” means the environmental assessment report dated April 18, 2006, prepared by the Borrower and satisfactory to the Bank, as such report may be updated from time to time by agreement between the Borrower and the Bank, setting forth the environmental aspects and impacts associated with the Project, outlining the actions to be taken by the Borrower during the implementation of the Project in order to reduce adverse environmental aspects to acceptable levels, describing, *inter alia*: (i) the list of Project activities requiring a Specific Site Environmental Impact Study (as this term is hereinafter defined) during Project implementation; and (ii) the procedures governing the preparation of said Study; and including the Project environmental management plan consisting of a mitigating plan, a monitoring plan and the institutional strengthening measures to be taken by the Borrower to ensure appropriate management of environmental issues during Project implementation;

(j) “Financial Monitoring Report” and the acronym “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(k) “Fiscal Year” means the fiscal year of the Borrower, starting January 1 and ending December 31 of each calendar year;

(l) “Grant Agreement” means a grant agreement entered into or to be entered into between MOHE (as this term is hereinafter defined) and a Beneficiary, providing for a Competitive Block Grant or a Management Capacity Grant (as this term is hereinafter defined), on terms and conditions satisfactory to the Bank in accordance with the provisions of Part C of Schedule 5 to this Agreement;

(m) “Management Capacity Grant” means a grant made or proposed to be made by the Borrower out of the proceeds of the Loan to a university in the Borrower’s territory, for financing a Sub-project (as this term is hereinafter defined) through a Grant Agreement under Part C(2) of the Project, in accordance with the provisions of Parts B and C of Schedule 5 to this Agreement;

(n) “Mid-term Review” means the mid-term review referred to in Part F of Schedule 5 to this Agreement;

(o) “MOHE” means the Borrower’s Ministry of Higher Education (“Ministere de l’Enseignement Supérieur”), or any successor thereto;

(p) “National Evaluation Committee” means the National Evaluation Committee within MOHE, responsible for evaluating higher education programs and institutions;

(q) “PAQ” means the quality promotion program fund (“Programme d’Appui à la Qualité”), a mechanism operated by the Borrower for the financing of Competitive Block Grants and Management Capacity Grants under Part C of the Project, on terms and conditions satisfactory to the Bank and in accordance with the Eligibility Criteria;

(r) “PAQ Committee” means the PAQ committee established and operating pursuant to a decision dated May 10, 2006, of the Minister of Higher Education;

(s) “PAQ-OPM” means the operational procedures manual for the PAQ, dated May 11, 2006, prepared by the Borrower and satisfactory to the Bank, setting forth the procedures governing the management and implementation of PAQ and detailing the eligibility criteria, the terms, conditions and procedures for the preparation and provision of Competitive Block Grants and Management Capacity Grants, as such Manual may be amended from time to time with the prior approval of the Bank;

(t) “Performance Indicators” means the performance indicators set forth in Schedule 7 to this Agreement;

(u) “Procurement Plan” means the Borrower’s procurement plan, dated May 11, 2006, included in the Project OPM (as this term is hereinafter defined), covering the initial eighteen (18) month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding eighteen (18) month periods (or longer) of Project implementation;

(v) “Project OPM” means the Project operational procedures manual prepared by the Borrower, dated May 11, 2006, at all times satisfactory to the Bank, setting forth: (i) the respective roles and responsibilities for the implementation of the Project; (ii) the accounting, financial management, auditing and reporting arrangements; (iii) the Procurement Plan; (iv) the monitoring and evaluation procedures including the selected indicators for measuring Project performance; and (v) action plans for improving the procurement and financial management capacity within MOHE; and all other relevant provisions necessary for the carrying out of the Project, as such Manual may be updated periodically by agreement between the Borrower and the Bank;

(w) “Special Account” means the account referred to in Section 2.02(b) of this Agreement;

(x) “Specific Site Environmental Impact Study” means an environmental impact study, in form and substance satisfactory to the Bank, to be prepared by MOHE and submitted for the Bank’s review prior to the commencement of civil works or construction activity for each new higher education and research institution, including the

university restaurant and the university student housing, under Part A of the Project, in accordance with Part D of Schedule 5 to this Agreement;

(y) “Steering Committee” means the steering committee established and operating pursuant to a decision dated May 10, 2006, of the Minister of Higher Education; and

(z) “Sub-project” means a specific project to be carried out by a Beneficiary meeting the Eligibility Criteria and utilizing the proceeds of a Competitive Block Grant or a Management Capacity Grant.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to sixty one million three hundred thousand Euros (EUR 61,300,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (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: (i) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan; and (ii) amounts paid (or if the Bank shall so agree, to be paid) by the Borrower on account of withdrawals under a Competitive Block Grant or a Management Capacity Grant under Part C of the Project, to meet the reasonable cost of works, goods and services required for a Sub-project in respect of which the withdrawal from the Loan Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in Euros a special deposit account in its 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 6 to this Agreement.

Section 2.03. The Closing Date shall be November 30, 2011, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. Such fee shall be payable not later than sixty (60) days after the Effective Date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on February 15 and August 15 in each year.

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

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, engineering, financial, technical and higher education practices, and environmental and social standards, 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 and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Environmental Management Framework, the Project OPM, the PAQ-OPM and the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan designed to ensure the continued achievement of the Project objectives; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect its

operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have its financial statements (balance sheets, statements of income and expenses and related statements) for each Fiscal Year (or such other period agreed between the Borrower and the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such Year (or such other period agreed between the Borrower and the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such Year (or such other period agreed between the Borrower and the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

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

- (i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each Fiscal Year (or such other period agreed between the Borrower and the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's obligations set out in paragraphs E.2 and F.1 of Schedule 5 to this Agreement, the Borrower shall prepare and

furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;

describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than forty five (45) days after the end of the first calendar semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar semester; thereafter, each FMR shall be furnished to the Bank not later than forty five (45) days after each subsequent calendar semester, and shall cover such calendar semester.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02(p) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE VI

Termination

Section 6.01. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Development and International Cooperation of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministère du Développement et de la Coopération Internationale
Place Ali Zouaoui
Tunis
Republic of Tunisia

Telex:

18060

Facsimile:

216-71-351-666

216-71-799-069

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)

Facsimile:

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names Washington, District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF TUNISIA

By /s/ Mohamed Nejib Hachana

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Theodore O. Ahlers

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (in Euros)	% of Expenditures to be Financed
1. Works	35,000,000	80%
2. Goods and Equipment	12,100,000	100%
3. Consultants services	1,500,000	100%
4. Training	600,000	100%
5. PAQ for Competitive Block Grants and Management Capacity Grants for Sub-projects under Part C of the Project	8,100,000	100%
6. Unallocated	4,000,000	
TOTAL	61,300,000	

2. Notwithstanding the provisions of paragraph 1 above and paragraph D(2) of Schedule 5, no withdrawals shall be made in respect of: (a) any expenditures under any Category, unless the Bank shall have first received payment in full of the Front-end Fee referred to in Section 2.04 of this Agreement; and (b) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding EUR 2,100,000 may be made in respect of Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after April 1, 2006.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for: (a) expenditures under contracts for works costing less than \$1,000,000 equivalent per contract; (b) expenditures under contracts for services of individual consultants costing less than \$50,000 equivalent per contract; (c) expenditures under contracts for services of consulting firms under contracts costing less than \$100,000 equivalent per contract; (d) expenditures under contracts for goods or

equipment costing less than \$400,000 equivalent per contract; (e) expenditures under contracts for training costing less than \$50,000 equivalent per contract; and (f) Competitive Block Grants and Management Capacity Grants for Sub-projects, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in the implementation of its Program aiming at developing its higher education system by increasing the capacity in expanding access to said system, strengthening the efficiency and institutional performance of said system and improving the quality of higher education.

The Project consists of the following Parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objective:

Part A: Expand Access to the Public Higher Education System

Carrying out a program of works for the construction of about eight (8) new higher education and research institutions, one university restaurant and one university student housing, including the supervision of construction activities, and the provision of library books and information materials, didactic, scientific and information and communication technology equipment for said institutions.

Part B: Modernize the Higher Education System by Strengthening Quality Assurance Mechanisms, Institutional Autonomy and Financial Sustainability

Carrying out studies, provision of technical assistance and training activities, equipment and materials, and organization of study tours for:

1. developing and strengthening the capacities of the National Evaluation Committee to transform it into a national institution for higher education evaluation and quality support with a view to establishing a comprehensive accreditation and quality assurance system, including: (a) the development of an action plan to assist MOHE in establishing said system; (b) the design of a strategy and the strengthening of management capacity to ensure financial sustainability of said system; (c) the enhancement of the capacity of higher education and research institutions to complete quality assessment processes; and (d) the provision of adequate materials and tools to ensure an efficient administration of said system;
2. revising the higher education curricula to match international norms with a view to increase the relevance of said curricula against labor market needs, including the implementation of the Licence Mastere-Doctorat (“LMD”) system;
3. enhancing MOHE’s reform implementation capacity, including the assessment and revision of the legal and regulatory framework governing the Borrower’s higher education system with a view to granting increased institutional autonomy to universities and to piloting program-based budgeting (“Gestion par objectifs” or “GPO”);

4. developing the technical and management capacity of higher education and research institutions and universities with a view to operating in a more effective and autonomous manner, including: (a) training in management, financial management, procurement; and (b) design and implementation of institutional development plans, monitoring and evaluation, data collection, use of GPO and of selection process of Competitive Block Grants and Management Capacity Grants; and

5. strengthening management capacities of MOHE's central departments, namely DGSC, DGRU, BEPP and National Evaluation Committee, to contribute in the development of the Borrower's higher education system in a more effective manner, including, *inter alia*, building capacity for DGRU to operate and monitor PAQ and the selection process of Competitive Block Grants and Management Capacity Grants.

Part C: Grant Program to Improve Academic Quality and Institutional Performance

Establishing and operating the Quality Promotion Program Fund ("PAQ") to provide: (1) Competitive Block Grants to higher education and research institutions for Sub-projects aiming at improving the quality of the learning programs and teaching provided by said institutions, through the carrying out of works and the provision of technical assistance, training and equipment; and (2) Management Capacity Grants to universities for Sub-projects aiming at strengthening the management capacity of said universities and their related institutions, through the carrying out of works and the provision of technical assistance, training and equipment.

* * * *

The Project is expected to be completed by May 31, 2011.

SCHEDULE 3

Amortization Schedule

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

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
August 15, 2011	3.15
February 15, 2012	0.00
August 15, 2012	3.00
February 15, 2013	0.00
August 15, 2013	2.50
February 15, 2014	7.00
August 15, 2014	7.00
February 15, 2015	7.00
August 15, 2015	7.00
February 15, 2016	7.00
August 15, 2016	7.00
February 15, 2017	3.00
August 15, 2017	0.00
February 15, 2018	6.50
August 15, 2018	6.50
February 15, 2019	6.50
August 15, 2019	6.50
February 15, 2020	3.00
August 15, 2020	0.00
February 15, 2021	6.50
August 15, 2021	3.00
February 15, 2022	2.85
August 15, 2022	2.50
February 15, 2023	2.50

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two (2) calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 4

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured by contractors in the territory of the Borrower.

B. Other Procurement Procedures

1. Limited International Bidding. Goods which the Bank agrees can only be purchased from a limited number of suppliers may be procured under contracts awarded on the basis of Limited International Bidding.

2. National Competitive Bidding. Goods estimated to cost \$500,000 equivalent or less per contract and works estimated to cost \$5,000,000 equivalent or less per contract, may be procured under contracts awarded on the basis of National Competitive Bidding in accordance with procedures acceptable to the Bank. Said procedures shall ensure, *inter alia*, that:

(a) the bid document clearly explains the bid evaluation, award criteria and bidder qualification criteria;

(b) technical, administrative and financial envelopes are publicly and simultaneously opened;

(c) Bids shall be evaluated on price and any other criteria disclosed in the bid documents and quantified in monetary terms and contracts are awarded to the qualified bidder with the lowest evaluated responsive bid;

(d) Prior to issuing the first call for bids, a draft standard bidding document to be used under National Competitive Bidding procurement must be submitted to, and found acceptable by the Bank;

(e) Tenders will be advertised with no less than four (4) weeks notice for bid preparation;

(f) Bidders will be allowed to deliver their bid by hand or by mail before the expiration of the deadline for submitting bids;

(g) If foreign firms wish to participate, they shall be allowed to do so and no provision for preferential treatment for national companies or mandatory association between foreign and national firms shall be applied;

(h) The procedures shall include publication of evaluation results and the award of contract and provisions for bidders to protest; and

(i) The bid document shall specify that the mention of the bidder's name on the envelope shall constitute a reason for rejecting the bid.

3 Shopping. Works estimated to cost less than \$350,000 and goods estimated to cost less than \$30,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

2. Least -Cost Selection. Services for assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-Cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

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

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a single-source basis.

Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts, including procurement under Competitive Block Grants and Management Capacity Grants, shall be subject to Post Review by the Bank.

SCHEDULE 5

Implementation Program

A. Project Coordination and Implementation

1. The Borrower shall ensure overall Project coordination through MOHE, a Project coordinator, the Steering Committee and the PAQ Committee. The Borrower shall, at all times, maintain the Steering Committee and the PAQ Committee under terms of reference, composition and institutional arrangements satisfactory to the Bank. The Steering Committee, which is headed by the Minister of Higher Education or his representative and includes representatives of MOHE, the Ministry of Development and International Cooperation and the Ministry of Finance, shall, *inter alia*, oversee progress in the implementation of the Project and shall meet at least once a year. The PAQ Committee, which includes representatives of MOHE, the Ministry of Development and International Cooperation, professors in various university disciplines and representatives of social and economic sectors, shall, *inter alia*, select proposals for Sub-projects, which proposals shall be submitted to the Minister of Higher Education for approval in consultation with the council of universities.

2. The Borrower shall vest MOHE with the overall responsibility for the implementation, supervision, monitoring and evaluation of the Project. In order to ensure proper management and coordination of the Project, the Borrower shall cause MOHE to appoint, subject to terms of reference satisfactory to the Bank, a Project coordinator who will be in charge of monitoring Project progress, procurement and disbursement activities and ensuring communication with the Steering Committee and all entities involved in the carrying out of the Project. To this end, the Borrower shall ensure that the Project coordinator is assisted by suitably qualified personnel and provided with adequate resources and facilities.

3. DGSC, through its financial management unit (“Direction des affaires financières”), shall oversee the financial management of the Project. DGSC, through its relevant departments, shall be responsible for the implementation of activities under Part A of the Project. DGRU shall be responsible for the implementation of activities under Parts B and C of the Project. A Secretariat located in the DGRU shall be responsible for coordinating the use of PAQ and the award of Competitive Block Grants and Management Capacity Grants.

B. Eligibility Criteria for the Selection and Award of Competitive Block Grants and Management Capacity Grants

No Sub-project shall be eligible for financing out of the proceeds of the Loan unless the Borrower is satisfied that the Sub-project and the award process of the Competitive Block Grant or Management Capacity Grant meet the Eligibility Criteria specified below, the terms, conditions and preparation and award procedures specified in

Part C of this Schedule and the provisions set forth in the PAQ-OPM, which shall include, *inter alia*, the following:

1. the Sub-project shall be carried out by a university or a higher education and research institution selected by MOHE in the Borrower's territory;
2. the Sub-project shall be financially and technically viable and shall meet the criteria specified in the PAQ-OPM; and
3. the Sub-project shall comply with the standards set forth in the applicable laws of the Borrower relating to higher education.

C. Terms, Conditions and Preparation and Award Procedures for Competitive Block Grants and Management Capacity Grants

1. Proposals for Competitive Block Grants and Management Capacity Grants shall be prepared, and said Grants shall be awarded in accordance with the conditions and procedures set forth in the PAQ-OPM.

2. Sub-projects shall be carried out pursuant to a Grant Agreement to be entered into between MOHE and the Beneficiary under terms and conditions set forth in the PAQ-OPM and satisfactory to the Bank, which shall include, *inter alia*, the following:

(a) financing in the form of a grant;

(b) the obligation for the Beneficiary to carry out the Sub-project in accordance with the PAQ-OPM, with due diligence and efficiency and in accordance with sound education, technical, financial, environmental and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Sub-project, and, upon the completion of said Sub-project, the obligation for the Beneficiary to ensure the continued achievement of the objectives of said Sub-project;

(c) the amount of the Beneficiary's counterpart contribution, if any;

(d) an action plan for the Beneficiary's institutional building (procurement, financial management and human resources), which action plan shall be complying with the provisions set out in the PAQ-OPM;

(e) the right of MOHE to obtain from the Beneficiary all relevant information as the Borrower or the Bank shall reasonably request regarding the administration, operation and financial conditions of the Sub-project; and

(f) the right of MOHE to suspend or terminate the right of the Beneficiary to use the proceeds of a Competitive Block Grant or a Management Capacity Grant for a Sub-project upon failure by the Beneficiary to perform any of its obligations under the relevant Grant Agreement, such failure to be determined by internal and external evaluations carried out in accordance with the procedures set forth in the PAQ-OPM.

D. Part A of the Project

1. The Borrower shall, with respect to each new higher education and research institution to be constructed under Part A of the Project, including the university restaurant and the university student housing, submit to the Bank: (a)(i) confirmation of the site selected for the construction of said institution, and (ii) the budget allocation for the construction of said institution; (b) a copy of the applicable Specific Site Environmental Impact Study as required under the Environmental Management Framework; and (c) the architectural designs and technical specifications for the construction activities proposed for said institution.

2. For each new higher education and research institution to be constructed under Part A of the Project, including the university restaurant and the university student housing, no civil work or construction activity shall commence unless the Bank shall have first received from the Borrower the information, in form and substance satisfactory to the Bank, referred to in sub-paragraphs (a), (b) and (c) of the preceding paragraph 1.

E. Monitoring and Evaluation

1. The Borrower shall maintain policies and procedures adequate to enable it to monitor and evaluate on an on-going basis, in accordance with the Performance Indicators, the carrying out of the Project and the achievement of the objectives thereof.

2. Without prejudice to the provisions set forth in Section 4.02 of this Agreement, the Borrower, through the Project coordinator, shall, not later than December 31 of each year until the completion of the Project, commencing on December 31, 2006, prepare and furnish to the Bank a Project monitoring and evaluation report of such scope and in such detail as the Borrower and the Bank shall have agreed, describing, *inter alia*: (a) the progress achieved in the implementation of the Project against planned targets and Performance Indicators; and (b) the work plan for the subsequent twelve (12) month period following said report, as approved by the Steering Committee.

F. Mid-Term Review

The Borrower shall:

1. Prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about April 30, 2009, a report integrating the results of the monitoring and evaluation activities carried out pursuant to Part E of this Schedule, on the progress

achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

2. Review with the Bank, by June 30, 2009, or such later date as the Bank shall request, the report referred to in the preceding paragraph 1, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of said report and the Bank's views on the matter.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1), (2), (3), (4) and (5) 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 the amount of EUR 6,000,000 to be withdrawn from the Loan Account and deposited into 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 the amount of EUR 4,000,000 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 EUR 10,000,000.
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 deposit into the Special Account of an amount or amounts 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 into 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;

(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, 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 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.

SCHEDULE 7

Performance Indicators

Except as the Borrower and the Bank shall otherwise agree, the Performance Indicators for the Project shall be:

1. Increased access to higher education by about 13,000 education places as evidenced through the construction of eight (8) new higher education and research institutions by the Project Closing Date;
2. Revised legal and regulatory framework governing the Borrower's higher education system granting increased autonomy to universities by December 2009;
- 3, strengthened capacity of the National Evaluation Committee, including enhanced ability to complete evaluations of the academic and operational performance and quality of higher education and research institutions;
4. PAQ is fully operational and at least one (1) round of Competitive Block Grants has been awarded and under implementation by Mid-term Review; and
5. improved performance of Project implementation entities through improved management of the schedule set forth in the Procurement Plan as follows: (a) 60% of contracts signed within the schedule set forth in said Plan for the year 2007; (b) 75% of contracts signed within the schedule set forth in said Plan for the year 2008; and (iii) 90% of contracts signed within the schedule set forth in said Plan for the year 2009.