

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 4809-RO

Loan Agreement

(Knowledge Economy Project)

between

ROMANIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated December 8, 2005

Public Disclosure Authorized



LOAN NUMBER 4809-RO

LOAN AGREEMENT

AGREEMENT, dated December 8, 2005, between ROMANIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

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 Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through May 1, 2004) (the General Conditions), constitute an integral part of this Agreement.

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

- (a) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;
- (b) “Grant Facility” means the co-financing facility referred to in Part C.2 of Schedule 2 to this Agreement;
- (c) “ICT” means information and communication technology;
- (d) “LCeN” means local community e-network;

(e) “MCIT” means the Ministry of Communications and Information Technology of the Borrower, or any successor thereto;

(f) “MSME” means micro-, small- and medium-sized enterprises;

(g) “National Strategy for the New Economy and the Implementation of the Information Society” means the Borrower’s strategy for an information society and knowledge economy development, dated October 2002;

(h) “PMU” means the Project Management Unit in MCIT or any legal successor thereto satisfactory to the Bank, and referred to in paragraph 2 of Part A of Schedule 5 to this Agreement;

(i) “POM” means the Project Operational Manual setting forth the implementation and fiduciary operations of the Project, and referred to in paragraph 4 of Part A of Schedule 5 to this Agreement;

(j) “Procurement Plan” means the procurement plan, dated September 30, 2005, 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;

(k) “Project Preparation Advance” means the project preparation advance granted by the Bank to the Borrower pursuant to the letter agreement signed on behalf of the Bank on June 22, 2004, and on behalf of the Borrower on June 30, 2004, as amended by the amendment letter signed on behalf of the Bank on May 30, 2005, and on behalf of the Borrower on June 15, 2005;

(l) “Project Steering Committee” or “PSC” means the committee established by the Borrower pursuant to MCIT Order No. 43/2005, with membership and terms of reference satisfactory to the Bank, and referred to in paragraph 3 of Part A of Schedule 5 to this Agreement; and

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

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to sixty million Dollars (\$60,000,000).

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, services, training and operating costs required for the Project and to be financed out of the proceeds of the Loan; and (ii) other expenditures incurred under the Project in respect of the Grant Facility.

(b) The Borrower, through MCIT, may, for the purposes of the Project, open and maintain in Dollars a special deposit account (the Special Account) to be administered by the PMU in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

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

Section 2.03. The Closing Date shall be June 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 (1.00%) 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 at the rate of three-fourths of one percent ($3/4$ of 1.00%) per annum on the principal amount of the Loan not withdrawn from time to time.

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

- (b) For the purposes of this Section:
- (i) “Interest Period” means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
 - (ii) “Interest Payment Date” means any date specified in Section 2.07 of this Agreement.
 - (iii) “LIBOR Base Rate” means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
 - (iv) “LIBOR Total Spread” means, for each Interest Period: (A) three-fourths of one percent ($3/4$ of 1.00%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

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

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

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objective of the Project, and, to this end, shall carry out the Project, through MCIT, with due diligence and efficiency and in conformity with appropriate administrative, technical, engineering, financial, educational and information and communication technology practices, 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, through MCIT, shall carry out the Project in accordance with 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 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, through the PMU, 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, through MCIT, 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's objective; 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, through MCIT, 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 the operations, resources and expenditures related to the Project.

(b) The Borrower, through MCIT, shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made, 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 to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

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

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

- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Part C of Schedule 5 to this Agreement, the Borrower, through MCIT, 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;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than forty-five (45) days after the end of the first calendar quarter 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 quarter; thereafter, each FMR shall be furnished to the Bank not later than forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Borrower, through MCIT, shall have adopted the POM satisfactory to the Bank.

Section 5.02. The date one hundred and twenty days (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 Public Finance 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 Public Finance
17, Apolodor Street
Bucharest
Romania

Telex:	Facsimile:
11239	4021 312 6792

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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

ROMANIA

By: /s/ Sebastian Vladescu

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Owaise Saadat

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(1) Goods	29,620,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(2) Operating Costs	8,510,000	100%
(3) Consultants' Services and Audits	2,280,000	85% of foreign expenditures and 75% of local expenditures
(4) Dissemination, Monitoring and Evaluation	1,240,000	85% of foreign expenditures and 75% of local expenditures

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(5) Training	3,740,000	100%
(6) Grant Facility	9,000,000	100%
(7) Incremental Operating Costs	3,390,000	75%
(8) Refunding of Project Preparation Advance	2,000,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(9) Unallocated	220,000	
TOTAL	<u>60,000,000</u>	

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;

(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;

(c) the term “Goods” shall also include charges payable by LCeNs to internet and telephone services providers under contracts to provide broadband services to LCeNs;

(d) the term “Operating Costs” means the costs incurred by LCeNs, the national support provider and the portal on account of Project implementation comprising: office supplies; salaries of staff; rent of office accommodations; and maintenance and insurance of equipment;

(e) the term “Dissemination, Monitoring and Evaluation” means the costs incurred to measure progress in Project implementation, and to raise awareness in targeted populations of the opportunities and lessons of the Project;

(f) the term “Training” means Project related study tours, training courses, seminars, workshops and other training activities not included under goods or service providers’ contracts, including travel and per diem costs of trainees and trainers; and

(g) the term “Incremental Operating Costs” means the incremental operating costs incurred by the PMU on account of the Project implementation comprising: salaries of staff (other than the salaries of the civil servants); communication (including postage and internet); procurement related advertising costs; local transportation; fuel; operating, maintenance and insurance costs for vehicles; rent of the office accommodation; refurbishment and rehabilitation of offices including equipment; office supplies, maintenance and insurance of the office equipment; Project related travel and per diem allowances including accommodation and local transportation; banking charges; and training of PMU staff.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) any expenditures under any Category in the table in paragraph 1 above (except under Category (8)), unless the Bank has received payment in full of the front-end fee referred to in Section 2.04 of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) training; (b) goods costing less than \$100,000 equivalent per contract; (c) for services of individual consultants costing less than \$50,000 equivalent per contract; (d) for services of consulting firms under contracts costing less than \$100,000 equivalent per contract; (e) grants under Category (6); and (f) operating costs under Categories (2) and (7), 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 accelerate the participation of knowledge disadvantaged communities in the knowledge-based society and economy in Romania. To this end, the Project will enable the Borrower to implement the National Strategy for the New Economy and Implementation of the Information Society, and the European Union programs related to the information society for all.

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: Access to ICT in Knowledge Disadvantaged Communities and Improved Digital Literacy

1. Provision of equipment, consultants' services, infrastructure and training, and provision of funds for operating costs for improving access to ICT through the development of LCeNs and a national support provider, by establishing at least two hundred (200) multi-purpose local e-networks to provide information, services and benefits to citizens and businesses.
2. Provision of consultants' services and training to promote increased access to ICT and e-services through LCeNs.
3. Provision of consultants' services and training to enhance the digital literacy of students and teachers at the primary and lower secondary education levels.

Part B: Development and Promotion of e-Government Services

1. Provision of equipment, consultants' services and training for developing an online system for the registration of family associations and self-employed individuals.
2. Provision of equipment, consultants' services and training to government authorities, and provision of internet service for county authorities, for the development of an integrated network for citizen status information and documentation.

Part C: Promotion of e-Commerce and Innovation Support for MSMEs

1. Provision of equipment, consultants' services, training and provision of funds for operating costs for developing a portal for promotion of e-commerce and business networking.
2. Operation of a facility to provide co-financing grants from the proceeds of the Loan to eligible beneficiaries to facilitate e-business adoption.

Part D: Project Management

Provision of funds for incremental operating costs of the PMU; provision of vehicles for the PMU and consultants' services for the audits and for the monitoring and evaluation of the Project.

* * *

The Project is expected to be completed by December 31, 2010.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	Payment of Principal (Expressed in <u>Dollars</u>) ¹
On each April 15 and October 15 beginning April 15, 2011 through October 15, 2022	2,500,000

SCHEDULE 4

Procurement

Section I. General

A. All goods 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 and Services (other than Consultants' Services)

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

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding and the additional provisions set forth in the Annex to this Schedule.

2. Shopping. Goods estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods which the Bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

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 Under a Fixed Budget. Services for assignments which the Bank agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 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. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 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.

4. Single Source Selection. Services for tasks in circumstances which meet the requirement 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 Consultants Guidelines.

5. 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 sole-source basis, subject to prior approval of the Bank.

Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Annex
to
SCHEDULE 4**

**Mandatory Provisions for Procurement under Bank-Financed Contracts
Subject to National Competitive Bidding**

Contracts for goods for which Schedule 4 to the Loan Agreement allows procurement under paragraphs 3.3 and 3.4 of the Procurement Guidelines may be procured in accordance with the provisions of national laws and regulations with the following exceptions:

A. Procedures

The Open Procedure, as defined in Article 9 of the “Emergency Ordinance Regarding Public Procurement No. 60/2001”, as subsequently amended, shall be followed in all cases, irrespective of value. Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper or the Official Gazette, allowing a minimum of thirty (30) days for the preparation and submission of bids.

B. Assessment of Bidders’ Qualifications

Where pre-qualification is not used, the qualifications of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying minimum experience, technical and financial requirements which shall be explicitly stated in the bidding documents.

C. Participation by Government-owned Enterprises

Government-owned enterprises in Romania shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

D. Bidding Documents

Procuring entities shall use the appropriate standard bidding documents for the procurement of goods or services, which shall contain draft contract and conditions of contract acceptable to the Bank. Bidding instructions shall clearly stipulate that discount, if any, must be stated by the bidder either in a cover letter or in the bid form. In case of joint ventures, bidding conditions shall stipulate joint and several liability of all the partners of the joint venture.

E. Bid Submission, Opening and Evaluation, Award of Contract

(a) Bids shall be submitted in a single envelope containing the bidder's qualification information, technical and price bids, which shall be opened at the public bid opening. Should bids be submitted in two (2) or more envelopes, all envelopes shall be opened at the public bid opening.

(b) Bids shall be opened in public immediately after the deadline for submission of bids. No bid shall be rejected during bid opening. The name of the bidder, the total amount of each bid, and any discounts shall be read aloud and recorded in the minutes of the public bid opening. Any discount not mentioned in the cover letter or bid form shall not be taken into account in the evaluation.

(c) The evaluation of bids shall be done in strict adherence to the monetarily quantifiable criteria specified in the bidding documents and a merit point system or scoring on the basis of "technical and economical financial achievements" shall not be used.

(d) Extension of bid validity shall be allowed once only for a maximum of thirty (30) days. No further extensions should be requested without the prior approval of the Bank.

(e) Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid.

(f) No preference shall be applied under National Competitive Bidding.

(g) There shall be no negotiations, even with the lowest evaluated bidder, without the Bank's prior concurrence.

(h) The results of evaluation and the names of the winning bidder shall be published.

F. Price Adjustment

Contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause.

G. Rejection of All Bids

(a) All bids shall not be rejected and new bids solicited without the Bank's prior written concurrence.

(b) When the number of bids received is less than two (2), re-bidding shall not be carried out without the Bank's prior concurrence.

H. Securities

No advance payments shall be made to contractors without a suitable Advance Payment security. The wording of all such securities shall be included into the bidding documents and shall be acceptable to the Bank.

SCHEDULE 5

Implementation Program

Part A: Project Management

1. The Borrower shall assign the responsibility for carrying out the Project to MCIT.
2. To enable MCIT to implement effectively the Project, not later than thirty (30) days after the Effective Date of this Agreement, a PMU with adequate staffing and resources shall be established. The PMU shall thereafter be maintained with adequate staffing and resources for the duration of the Project. The PMU shall have administrative and technical staff, and, as necessary, the technical staff shall be located within the other Ministries of the Borrower collaborating with MCIT in the Project implementation. The PMU shall, *inter alia*, be responsible for financial management, procurement, disbursement, and preparation of progress reports and annual reports in respect of the Project.
3. For the Project oversight, the Borrower shall maintain, under the chairmanship of the Borrower's Minister of Communications and Information Technology, the Project Steering Committee comprising high-level representatives from the various Ministries and agencies of the Borrower involved in the Project preparation and implementation. The PSC shall, *inter alia*, set strategic directions for the Project and approve the POM.
4. The POM, satisfactory to the Bank, shall be approved by the Project Steering Committee, and shall be adopted by the Borrower through MCIT.
5. The Borrower, through MCIT, shall take all necessary measures to implement the Project in accordance with the POM and shall not amend, suspend, abrogate, repeal or waive any provision of the POM without prior approval of the Bank.

Part B: Implementation of the Grant Facility Program Under Part C.2 of the Project

1. The Borrower, through MCIT, shall implement the Grant Facility program in accordance with the POM setting forth criteria and procedures for selection of recipients and sub-projects, as well as the main terms and conditions of the agreements to be concluded with the recipients.
2. The Borrower, through MCIT, shall ensure that the recipient of any fund under the Grant Facility, shall carry out the respective sub-project in accordance with the approved agreement, timetable and budget.

Part C: Reporting and Monitoring

The Borrower, through MCIT, shall:

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

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about March 31, 2008, a mid-term report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and

(c) review with the Bank, by June 30, 2008, or such later date as the Bank shall request, the report referred to in sub-paragraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1), (2), (3), (4), (5), (6) and (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term “Authorized Allocation” means the amount of \$3,000,000 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 \$1,500,000 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 \$6,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule, including local currency payments made directly to suppliers and contractors through corresponding transfer accounts opened in commercial banks, in accordance with rules and procedures acceptable to the Bank.

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, through MCIT, 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, through MCIT, shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower, through MCIT, 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, through MCIT, 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, through MCIT, 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, through MCIT, out of the Special Account, the Borrower, through MCIT, 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.