
LOAN NUMBER 8332-MK

Loan Agreement

(Skills Development and Innovation Support Project)

between

**FORMER YUGOSLAV REPUBLIC OF MACEDONIA
(Borrower)**

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated *FEBRUARY 07*, 201*4*

LOAN AGREEMENT

Agreement dated February 07, 2014, between the BORROWER ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of seventeen million seven hundred thousand Euros (€17,700,000) as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
- 2.05. The Payment Dates are February 1 and August 1 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

- 2.07. (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; and (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread.
- (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 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 — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall: (i) carry out Parts 1, 2, 3.1 and 4 of the Project through MOES; and (ii) cause FITD to carry out Part 3.2 of the Project in accordance with the provisions of Article V of the General Conditions and the FITD Implementation Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Borrower, through the MOES, has adopted the Project Operational Manual in a manner satisfactory to the Bank.
- (b) The Borrower has established the PMU in a manner satisfactory to the Bank, including the hiring of: (i) a full time, qualified and experienced financial officer; and (ii) a full time, qualified and experienced procurement specialist.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower's Representative is the Minister of Finance.

5.02. The Borrower's Address is:

Ministry of Finance
Dame Gruev 14
1000 Skopje
Facsimile: 389 2 3106779

6.03. The Bank's Address is:

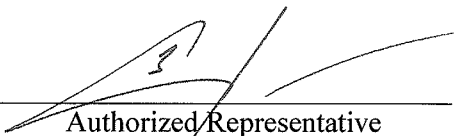
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

| Cable address: | Telex: | Facsimile: |
|-------------------------------|------------------------------|----------------|
| INTBAFRAD Washington, D.C. | 248423(MCI) or 64145(MCI) | 1-202-477-6391 |

AGREED in Skopje, as of the day and year first above written.

BORROWER

By



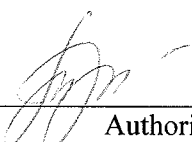
Authorized Representative

Name: ZORAN STAVRESKI

Title: Deputy Prime Minister and
Minister of Finance

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: Tatjana Proskuryakova

Title: Country Manager

SCHEDULE 1

Project Description

The objective of the Project is to improve transparency of resource allocation and promote accountability in higher education, enhance the relevance of secondary technical vocation education, and support the Borrower's innovation capacity.

The Project consists of the following parts:

Part 1: Improving Transparency of Higher Education

1.1 Quality Assurance in Higher Education

Improving the quality assurance mechanisms in the higher education, through, *inter alia*: (i) provision of Training for improving the administrative capacity of the Higher Education Accreditation and Evaluation Board and other key players in charge of managing quality assurance activities; (ii) conducting external evaluation by foreign experts of the Borrower's higher education sector; and (iii) upgrading of the education management and information system, including the development and implementation of the central data base.

1.2 Higher Education Financing Reforms

Design and implementation of a performance-based funding model to promote transparency and efficiency in the resource allocation mechanisms, through, *inter alia*: (i) assessing funding model options to select the most appropriate model for the Borrower's context; (ii) designing of the funding model, formula and implementation plan; (iii) identification of internal performance indicators and results framework for monitoring and evaluation; (iv) rolling out of the new financing model; and (v) carrying out of communication campaigns, outreach and dissemination events for interested stakeholders.

1.3 Development of a National Technology Transfer Office

Establishment and operationalization of the Borrower's technology transfer office, which will be responsible for, *inter alia*, industry outreach and advising on issues related to intellectual property, technology importation, and integrating the innovation activities of the Borrower with the European Union programs.

Part 2: Modernization of Secondary Technical Vocational Education and Training

2.1 Quality and Labor Market Relevance of Technical Vocational Education and Training Provision

Modernization of the secondary technical vocational education and training system through: (i) the provision of technical assistance to support the development of an

overarching model for the transformation of the secondary technical vocational education and training provision; (ii) development of occupational standards, competency-based curriculum and programs; (iii) efficiency assessment of the secondary technical vocational education and training system, school network and development of a proposal for restructuring said network; (iv) development of a training program for teachers and other staff, including identification of required skills, development of training materials and rollout of said training program; and (v) carrying out of a need analysis and acquisition of equipment for school-based practical training.

2.2 Grants for School Industry Collaboration

- (i) Designing and implementing a grant program to support technical vocational education and training activities; and (ii) provision of School Grants to selected Beneficiaries to finance activities to improve the labor market relevance of vocational education and training including involving industries into the practical training delivery.

Part 3: Improving the Innovative Capacity of Enterprises and Collaboration with Research Organizations

3.1 Capacity Building for the Fund of Innovation and Technological Development (FITD)

Improving the institutional competence of the FITD through, *inter alia*: (i) planning and designing the FITD's programs, strategy, operations and procedures; (ii) provision of Training for FITD staff; (iii) selection of FITD's investment committee and peer reviewers; (iv) provision of Training for FITD's beneficiary enterprises; and (v) carrying out of a marketing and communications strategy.

3.2 Pilot of Financial Investments to be delivered by FITD

Provision of funding to foster innovation through, *inter alia*: (i) the provision of Innovation Grants to finance an accelerator; (ii) the provision of Innovation Grants to finance proof of concept innovation; (iii) the provision of Innovation Grants or Innovation Sub-loans to finance commercialization of research and development; and (iv) the provision of Innovation Grants to finance technology development and technology absorption activities for new or improved technologies, products and processes.

Part 4: Project Management and Monitoring and Evaluation

4.1 Project Management

Supporting the PMU through the provision of Training and Operating Costs, including the Project's audit.

4.2 Monitoring and Evaluation

Designing and implementing tools to monitor the results framework for the Project and conducting relevant monitoring and evaluation studies and/or surveys.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The PMU shall be responsible for the day-to-day Project implementation and for procurement, financial management, disbursement and monitoring, and reporting for the entire Project. The Steering Committee shall be responsible for overall Project oversight and coordination. The Working Group shall be responsible for providing necessary technical expertise and support for efficient Project implementation. The Grant Approval Committee shall be responsible for evaluating and selecting proposals for School Sub-projects. The Investment Review Committee shall be responsible for evaluating and selecting proposals for Innovation Subprojects.
2. To that end, and throughout the implementation of the Project, the Borrower shall: (i) maintain the PMU, the Steering Committee and the Working Group; and (ii) establish and maintain the Investment Review Committee and the Grant Approval Committee; all with staff, resources and terms of reference satisfactory to the Bank.
3. The Borrower shall: (i) carry out Parts 1, 2, 3.1 and 4 of the Project through MOES in accordance with the POM and/or the SGOM, as the case may be; and (ii) cause FITD to carry out Part 3.2 of the Project in accordance with the POM and the IGOM. The Borrower, through MOES, shall and shall cause FITD not amend, suspend, abrogate, repeal or waive any provision of the POM, the SGOM and the IGOM, as applicable, without prior approval of the Bank.

B. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Implementation Arrangements for School Sub-projects

1. School Sub-projects shall be selected, appraised, implemented and evaluated in accordance with the principles, procedures and requirements set forth in the POM, the SGOM, the Procurement and Consultants Guidelines, the Anti-Corruption Guidelines, the EMF and any applicable Environmental Management Plan.
2. Before carrying out any School Sub-Project, the Borrower shall establish the Grant Approval Committee in a manner satisfactory to the Bank.
3. The Borrower shall make each School Grant under a School Grant Agreement with the selected Beneficiary on terms and conditions approved by the Bank, which shall include the following:

- (a) The School Grant shall be denominated in Macedonian Denars; and
- (b) The Borrower shall obtain rights adequate to protect its interests and those of the Bank, including the right to: (i) suspend or terminate the right of the Beneficiary to use the proceeds of the School Grant, or obtain a refund of all or any part of the amount of the School Grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the respective agreement; and (ii) require each selected Beneficiary to: (A) carry out its School Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower; (B) procure the goods, works and services to be financed out of the School Grant in accordance with the provisions of this Agreement; (C) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the School Sub-project and the achievement of its objectives; (D) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the School Sub-project; and (2) at the Bank's or the Borrower's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank; (E) enable the Borrower and the Bank to inspect the School Sub-project, its operation and any relevant records and documents; and (F) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

- 4. The Borrower, through MOES, shall exercise its rights under each School Grant Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower, through MOES, shall not assign, amend, abrogate or waive any School Grant Agreement or any of its provisions.

D. Implementation Arrangements for Innovation Sub-projects

1. FITD Implementation Agreement

- (a) Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower, through MOES, shall cause FITD to implement Part 3.2 of the Project, pursuant to an agreement (the FITD Implementation Agreement) to be entered into between MOES and FITD under terms and conditions acceptable to the Bank, which shall include, *inter alia*:
 - (i) the roles and responsibilities of FITD in connection with Project implementation;

- (ii) the obligation of FITD to carry out Part 3.2 of the Project in accordance with the provisions of the Anti-Corruption Guidelines;
- (iii) the right of MOES to take remedial actions against FITD in case FITD shall have failed to comply with any of its obligations under the FITD Implementation Agreement, all as previously agreed with the Bank; and
- (iv) the obligation of FITD:
 - (A) to assist MOES to comply with its obligations set forth in Section II of this Schedule 2 to this Agreement;
 - (B) to ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines; and
 - (C) not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the FITD Implementation Agreement or any provision thereof, unless previously agreed with the Bank.
- (b) The Borrower, through MOES, shall: (a) exercise its rights and carry out its obligations under the FITD Implementation Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and (b) except as the Bank shall otherwise agree, the Borrower, through MOES, shall not assign, amend, abrogate, terminate, waive or fail to enforce the FITD Implementation Agreement or any provision thereof.
- (c) In case of any conflict between the terms of the FITD Implementation Agreement and those of this Agreement, the terms of this Agreement shall prevail.

2. Innovation Sub-projects

- (a) Innovation Sub-projects shall be selected, appraised, implemented and evaluated in accordance with the principles, procedures and requirements set forth in the POM, the IGOM, the Procurement and Consultants Guidelines, the Anti-Corruption Guidelines, the EMF and any applicable Environmental Management Plan.
- (b) Before carrying out any Innovation Sub-Project, the Borrower shall establish the Investment Review Committee in a manner satisfactory to the Bank.
- (c) The Borrower shall cause FITD to make each Innovation Grant or Innovation Sub-loan under an Innovation Grant Agreement or Innovation Sub-loan Agreement, as the case may be, with the respective Beneficiary on terms and conditions approved by the Bank, which shall include the following:
 - (i) The Innovation Grant or Innovation Sub-loan shall be denominated in Macedonian Denars; and

- (ii) The Borrower shall obtain rights adequate to protect its interests and those of the Bank, including the right to: (i) suspend or terminate the right of the selected Beneficiary to use the proceeds of the Innovation Grant or Innovation Sub-loan, or obtain a refund of all or any part of the amount of the Innovation Grant or Innovation Sub-loan then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the respective agreement; and (ii) require each Beneficiary to: (A) carry out its Innovation Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower; (B) procure the goods, works and services to be financed out of the Innovation Grant or Innovation Sub-loan in accordance with the provisions of this Agreement; (C) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Innovation Sub-project and the achievement of its objectives; (D) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Innovation Sub-project; and (2) at the Bank's or the Borrower's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank; (E) enable the Borrower and the Bank to inspect the Innovation Sub-project, its operation and any relevant records and documents; and (F) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

- (c) The Borrower shall cause FITD to exercise its rights under each Innovation Grant Agreement and Innovation Sub-loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall cause FITD not assign, amend, abrogate or waive any Innovation Grant Agreement or Innovation Sub-loan Agreement or any of its provisions.

E. Safeguards

1. The Borrower shall take all necessary measures to implement the Project in accordance with the EMF.

2. Wherever required in terms of the EMF, the Borrower, through MOES, shall cause the Beneficiaries prior to the implementation of any School Sub-project or Innovation Sub-project, to have an Environmental Management Plan:

- (a) prepared in form and substance satisfactory to the Bank;
- (b) except as otherwise agreed with the Bank, submitted to the Bank for review and approval; and
- (c) thereafter, adopted/locally disclosed and implemented in accordance with the terms of the relevant safeguard instrument and in a manner acceptable to the Bank.

F. Other Undertakings

The Borrower, through MOES, shall not later than thirty (30) days after the Effective Date, acquire and install an accounting software for the Project in a manner acceptable to the Bank.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

- 1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.
- 2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

- 1. The Borrower, through MOES, shall and shall cause FITD to maintain a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
- 2. Without limitation on the provisions of Part A of this Section, the Borrower, through MOES, shall prepare and furnish to the Bank, not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
- 3. The Borrower, through MOES, shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

| Procurement Method |
|---|
| (a) National Competitive Bidding subject to the additional procedures stipulated in the Annex to Schedule 2 of the Loan Agreement |
| (b) Shopping |
| (c) Direct Contracting |
| (d) Procedures set forth in paragraph 3.13 Procurement in Loans to Financial Intermediary Institutions and Entities |

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection,

which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

| Procurement Method | |
|---------------------------|--|
| (a) | Quality Based Selection |
| (b) | Selection under a Fixed Budget |
| (c) | Least Cost Selection |
| (d) | Selection based on Consultants' Qualifications |
| (e) | Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants |
| (f) | Sole Source Procedures for the Selection of Individual Consultants |
| (g) | Single Source Selection |
| (h) | Procedures set forth in paragraph 3.13 Selection of Consultants in Loans to Financial Intermediary Institutions and Entities |

D. 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.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

| <u>Category</u> | <u>Amount of the Loan Allocated (expressed in Euros)</u> | <u>Percentage of Expenditures to be financed (inclusive of Taxes)</u> |
|--|---|--|
| (1) Goods, works, non-consulting services, consultants' services, Training and Operating Costs for Parts 1, 2.1, 2.2 (i), 3.1 and 4 of the Project | 7,847,000 | 100% |

| | | |
|--|-----------------------------|---|
| (2) School Grants | 649,000 | 100% |
| (3) Innovation Grants and Innovation Sub-loans | 9,159,750 | 100% |
| (4) Front-end Fee | 44,250 | Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions |
| TOTAL AMOUNT | <u>17,700,000.00</u> | |

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement; or
 - (b) under Category (2) above, until the Borrower has adopted the SGOM in a manner satisfactory to the Bank; or
 - (c) under Category (3) above, until: (i) the Borrower has established the FITD, with structure, staff, terms of reference and financial management capacity acceptable to the Bank; (ii) the IGOM has been adopted in a manner satisfactory to the Bank; and (iii) the FITD Implementation Agreement has been executed in a manner satisfactory to the Bank.
2. The Closing Date is May 31, 2019.

Additional Provisions for National Competitive Bidding

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the Guidelines, the following criteria shall be followed in procurement under National Competitive Bidding procedures:

(a) *Generalities*

Bidding shall be conducted using "Open Procedures." Furthermore, restricted procedure shall not be used without the express consent of the Bank and is subject to the following conditions:

- The contracting authority shall invite all the candidates that meet the selection criteria.
- No maximum number of selected candidates shall apply.

(b) *Registration*

- Bidding shall not be restricted to pre-registered firms.
- Where registration is required, bidders: (1) shall be allowed a reasonable time to complete the registration process; and (2) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.
- Foreign bidders not from the territory of the Borrower shall not be precluded from bidding. If a registration process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register.

(c) *Advertising, time for submission of bids*

- Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper. Invitations could be also advertised on the web sites of the Public Procurement Bureau and respective ministry.
- Time allowed for the preparation and submission of bids shall not be less than thirty (30) days from the time of the invitation to bid or the date of availability of bidding documents, whichever is later.

(d) *Pre-qualification*

- When pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one (1) widely circulated national daily newspaper. Invitations could be also published on the web sites of the Public Procurement Bureau and respective ministry.
- Time allowed for the preparation and submission of bids shall not be less than thirty (30) days from the time of the invitation to bid or the date of availability of bidding documents, whichever is later.
- Minimum experience, and technical and financial requirements, shall be explicitly stated in the pre-qualification documents.

(e) *Participation of Publicly-owned enterprises*

Publicly-owned enterprises 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.

(f) *Bidding Documents*

Procuring entities shall use the appropriate standard bidding documents acceptable to the Bank for procurement of goods and works.

(g) *Bid Opening, Bid Evaluation and Contract Award*

- Bids shall be submitted in a single envelope containing the bidder's qualification information, technical and price bids, which shall be opened simultaneously at the public bid opening.
- No bids shall be rejected at the bid opening except for late bids and bids shall not be evaluated as part of bid opening process.
- The economic, financial and technical capacity of the bidders cannot be guaranteed by another entity, except joint venture and observing those criteria set up in the bidding documents.
- Evaluation of bids shall be made in strict adherence to the quantifiable criteria declared in the bidding documents and evaluation criteria other than price shall be quantified in monetary terms.
- Bids not substantially responsive shall be rejected.
- Extensions of bid validity will be allowed once only for not more than thirty (30) days.

- No further extensions shall be requested without the prior approval of the Bank.
- Contracts shall be awarded to the qualified bidder having submitted the lowest-evaluated and substantially responsive bid. No negotiation shall take place.

(h) *Rejection of all bids*

All bids shall not be rejected and a new procurement process starts without the Bank's prior concurrence.

(i) *Price Adjustment*

Civil works contracts of long duration (more than 18 months) shall contain an appropriate price adjustment clause.

(j) *Securities*

- Bid security and performance security should follow the generally accepted practice used in the local market.
- Alternative methods such as bid securing declaration may be acceptable, in which case the Borrower may require bidders to sign a declaration accepting that if they withdraw or modify their bids during the period of validity or they are awarded the contract and they fail to sign the contract or to submit a performance security before the deadline defined in the bidding documents, the bidder will be suspended for bidding in any contract with the implementing unit.
- No advance payment shall be made to contractors without a suitable advance payment security. These securities shall be included in the bidding documents in a text and format acceptable to the Bank.

(k) *Right to inspect and audit*

Each bidding document and contract financed from the proceeds of the Loan shall provide that the bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Bank, at its request, to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Bank. Acts intended to materially impede the exercise of the Bank's inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Procurement Guidelines.

(l) *Fraud & Corruption*

Any bidding document and contract as deemed acceptable by the Bank shall include provisions stating the Bank's policy to sanction firms or individuals, found to have

engaged in fraudulent, corrupt, collusive, coercive, and obstructive practices as defined in the Procurement Guidelines. The Bank shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Bank, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the World Bank Group.

SCHEDULE 3

Amortization Schedule

1. 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 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) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date[, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

| Principal Payment Date | Installment Share (Expressed as a Percentage) |
|---|--|
| On each February 1 and August 1 Beginning February 1, 2019 through February 1, 2031 | 3.85% |
| On August 1, 2031 | 3.75% |

2. If the proceeds of the Loan have not 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 have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule; and
 - (b) Any amount withdrawn 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 is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable 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) Amounts of the Loan withdrawn within two 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; and

- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts 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 Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is 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 the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the 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 Withdrawn Loan Balance is 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.

APPENDIX

Definitions

1. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.
2. "Beneficiary" means: (i) a school and a private sector company which meet the criteria set forth in the SGOM to receive a School Grant; and (ii) a private sector company which meets the criteria set forth in the IGOM to receive an Innovation Grant or an Innovation Sub-loan.
3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
5. "Environmental Management Framework" or "ESMF" means the Borrower's environmental management framework (included in the Operational Manual), disclosed in the Borrower's territory on September 16, 2013, and at the Bank's *Infoshop* on September 18, 2013, giving details of a program of actions, measures and policies designed to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, along with the procedural and institutional measures needed to implement such actions, as said framework may be amended from time to time with the prior consent of the Bank.
6. "Environmental Management Plan" or "EMP" means a an environmental management plan specific for School Sub-projects or Innovation Subprojects, acceptable to the Bank, giving details of measures appropriate or required to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, together with budget and costs estimates, sources of funding, adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, such environmental management plan.
7. "FITD" means the Fund for Innovation and Technological Development to be established pursuant to the provisions of the Borrower's Law on Innovation Activity, duly published in the Borrower's Official Gazette No. 79/13, on May 29, 2013.
8. "FITD Implementation Agreement" means the agreement referred to in Section I.C of Schedule 2 to this Agreement.
9. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012.

10. "Higher Education Accreditation and Evaluation Board" means the board established pursuant to the Borrower's Law on Changes and Additions to the Law on Higher Education, duly published in the Borrower's Official Gazette No.17, on November 2, 2011.
11. "Innovation Grant" means a grant provided or proposed to be provided by FITD, out of the proceeds of the Loan to a selected Beneficiary to finance works, goods, consultants' services, Non-Consultant Services and/or Training under Part 3.2 of the Project.
12. "Innovation Grant Agreement" means an agreement between FITD and a selected Beneficiary, for the provision of an Innovation Grant, executed in accordance with the requirements of Section I.D.2(c) of Schedule 2 to this Agreement and in accordance with a model Innovation Grant Agreement satisfactory to the Bank.
13. "Innovation Grant Operational Manual" or "IGOM" means the manual which sets forth, *inter alia*: (i) the selection criteria for Innovation Subprojects; (ii) the procedures to select Beneficiaries; (iii) terms, conditions and processing procedures of Innovation Grants; (iv) a model Innovation Grant Agreement and Innovation Sub-loan Agreement; (v) the negative list of activities which cannot be financed under Part 3.2 of the Project, including any activities which may cause the involuntary taking of land resulting in relocation or loss of shelter, loss of assets or access to assets, loss of income sources or means of livelihood, or involving the involuntary restriction of access to legally designated parks and protected areas according to the Bank's policy on "Involuntary Resettlement"; and (vi) the amount of counterpart funds to be provided by each Beneficiary under Parts 3.2 (ii) and 3.2(iii) of the Project; as amended from time to time in accordance with Section I.A.3 of Schedule 2.
14. "Innovation Sub-loan" means a subsidiary loan provided or proposed to be provided by FITD to a selected Beneficiary to finance works, goods, consultants' services, Non-Consultant Services and/or Training under Part 3.2 (iii) of the Project.
15. "Innovation Sub-loan Agreement" means a sub-loan agreement between FITD and a selected Beneficiary for the provision of an Innovation Sub-loan, executed in accordance with the requirements of Section I.D.2(c) of Schedule 2 to this Agreement and in accordance with a model Innovation Sub-loan Agreement satisfactory to the Bank.
16. "Innovation Sub-project" means an investment in the area of innovation to be financed by an Innovation Grant or an Innovation Sub-loan, in accordance with the criteria and procedures set forth in the Project Operational Manual and the IGOM.
17. "Investment Review Committee" means the committee to be comprised by international experts which will review and select the Sub-project proposals under Part 3.2 of the Project.
18. "MOES" means the Borrower's Ministry of Education and Science.

19. "Operating Costs" means incremental operating costs incurred by the PMU on account of Project implementation, management and monitoring, including dissemination of Project related information and publications, office rent and utilities, insurance, maintenance and repair of office and equipment, insurance, maintenance and repair of vehicles, local travel, communication, translation and interpretation, bank charges, and other miscellaneous costs directly associated with the Project, all based on periodic budgets acceptable to the Bank.
20. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
21. "Procurement Plan" means the Borrower's procurement plan for the Project, dated December 2, 2013 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
22. "Project Management Unit" or "PMU" means the project management unit to be established by the Borrower within MOES for day-to-day Project management, coordination, monitoring and evaluation and referred to in Section I.A.1 of Schedule 2 to this Agreement.
23. "Project Operational Manual" or "POM" means the operational manual which sets forth the operational requirements, criteria, institutional arrangements and operational procedures for the implementation of the Project, including, *inter alia*, procurement, financial management, disbursement, accounting, audit, environmental and social safeguards requirements, monitoring and evaluation arrangements, as amended from time to time in accordance with Section I.A.3 of Schedule 2.
24. "School Grant" means a grant provided or proposed to be provided by the Borrower, through MOES, out of the proceeds of the Loan to a selected Beneficiary to finance works, goods, consultants' services, Non-Consultant Services and/or Training under Part 2.2 (ii) of the Project.
25. "School Grant Agreement" means an agreement between a selected Beneficiary and the Borrower, represented by MOES, for the provision of a School Grant, executed in accordance with the requirements of Section I.C.3 of Schedule 2 to this Agreement and in accordance with a model School Grant Agreement satisfactory to the Bank.
26. "School Grant Operational Manual" or "SGOM" means the manual which sets forth *inter alia*: (i) the selection criteria for School Sub-projects; (ii) the procedures to select Beneficiaries; (iii) terms, conditions and processing procedures of School Grants; (iv) a model School Grant Agreement; and (v) the negative list of activities which cannot be financed under Part 2.2 (ii) of the Project, including any activities which may cause the involuntary taking of land resulting in relocation or loss of shelter, loss of assets or access to assets, loss of income sources or means of livelihood, or involving the involuntary restriction of access to legally designated parks and protected areas according to the

Bank's policy on "Involuntary Resettlement"; as amended from time to time in accordance with Section I.A.3 of Schedule 2.

27. "School Sub-project" means an investment in the area of labor market improvement selected for financing under Part 2.2 (ii) of the Project in accordance with the criteria and procedures set forth in the Project Operational Manual and the SGOM.
28. "Steering Committee" means the committee chaired by the Borrower's Deputy Prime Minister for Economic Affairs, comprised by representatives of MOES, the Borrower's Ministry of Finance, the Borrower's Ministry of Economy, the Borrower's Ministry of Labor and Social Policy, the Borrower's Inter-University Conference members and representatives from the business sector.
29. "Training" means Project related study tours, training courses, seminars, workshops and other training activities, not included under goods or service providers' contracts, including costs of training materials, space and equipment rental, travel, accommodation and *per diem* costs of trainees and trainers, trainers' fees, and other training related miscellaneous costs.
30. "Vocational Education Training Center" means the training center established pursuant to the Borrower's decision duly published in the Borrower's Official Gazette No. 87, on August 1, 2006.
31. "Working Group" means the group comprised by technical experts from the MOES, the Borrower's Ministry of Labor and Social Policy, the Borrower's Ministry of Economy, the Cabinet of the Deputy Prime Minister for Economic Affairs, and the Vocational Education Training Center, established pursuant to article 55 of the Borrower's Law on Organization and Operation of the State Administration Bodies, duly published in the Borrower's Official Gazette No. 58/00, 44/02, 82/08, 167/10 and 51/11 on April 13, 2011.
32. "World Bank Group" means: (i) the International Bank for Reconstruction and Development; (ii) the International Development Association; (iii) the International Finance Corporation; and (iv) the Multilateral Investment Guarantee Agency.