Grant Agreement

(SUPPORT TO REACHING ALL CHILDREN WITH EDUCATION (RACE 2) PROGRAM)

between

LEBANESE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(acting as Administrator of Lebanon Syrian Crisis Trust Fund)

Dated June 21, 2017
AGREEMENT dated June 21, 2017, entered into between THE LEBANESE REPUBLIC ("Recipient"); and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as administrator of Lebanon Syrian Crisis Trust Fund ("LSCTF").

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard 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 Standard Conditions or in the Appendix to this Agreement.

Article II
The Program

2.01. The Recipient declares its commitment to the objective of the program described in Schedule I to this Agreement ("Program"). To this end, the Recipient shall carry out the Program through MEHE with support from CERD in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Program is carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount not to exceed one hundred million United States Dollars (US$100,000,000) ("Grant") to assist in financing the Program.
3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following:

(a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

(b) The Program has been modified or suspended so as to affect materially and adversely the ability of the Recipient to achieve the objective of the Program, unless the World Bank shall otherwise agree.

Article V
Effectiveness; Termination

5.01. The Additional Condition of Effectiveness consists of the following, namely that the Recipient through MEHE has adopted a Program Operations Manual, in form and substance, satisfactory to the World Bank.

5.02. The Effectiveness Deadline is the date one hundred eighty (180) days after the date of this Agreement.

5.03. For purposes of Section 3.04 (c) of the Standard Conditions (renumbered as such pursuant to paragraph 4 of Section II of the Appendix to this Agreement), the date on which the obligations of the Recipient under this Agreement shall terminate is the Closing Date of this Agreement.
Article VI
Recipient's Representative; Addresses

6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.

6.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:
Ministry of Finance
Riad El-Solh Square, Beirut
Lebanese Republic

Facsimile: +961 1 642 762

6.03. The World Bank’s Address is:
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex: Facsimile:
248423 (MCI) 1-202-477-6391
AGREED at Beirut, Lebanese Republic as of the day
and year first above written.

LEBANESE REPUBLIC

By

[Signature]

Authorized Representative

Name: Ali Hassan Khalil
Title: Minister of Finance

INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT
(acting as administrator of the LSCTF)

By

[Signature]

Authorized Representative

Name: Hafez Ghanem
Title: Regional Vice President
SCHEDULE I

Program Description

The objective of the Program is to promote equitable access to education services, enhance quality of student learning, and strengthen the education systems in the Recipient’s education sector in response to the protracted refugee crisis.

The Program is a part of and contributing to the financing of the second phase of the Recipient’s RACE Program (2016-2021), which will focus on formal education service provision, excluding the activities and expenditures as further detailed in the Program Operations Manual.

The Program, contributing to the Recipient’s RACE II Program (2016-2021), consists of the following activities:

Part 1. Increasing equitable access by Lebanese and non-Lebanese children to formal schooling in primary and secondary schools through supply-side activities, such as, school construction, expansion, and rehabilitation.

Part 2. Enhancing quality of education services through, inter alia, the provision of targeted support and tailored trainings to teachers; formative student assessments to identify struggling students; and outreach activities to communities and stakeholders.

Part 3. Strengthening the Recipient’s education systems at both the central and regional levels, through, inter alia, supporting data collection infrastructure to improve internet connectivity to all Participating Schools, providing related training on the data collection, entry and verification; increasing the numbers of staff handling accounting, procurement, Program planning and implementation; and developing a new national curriculum, including teacher guides and student learning materials, learning objectives for each grade, teacher performance standards; and a comprehensive learning assessment strategy.
SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation upon the provisions of Article II of the Standard Conditions, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the World Bank ("Program Fiduciary, Environmental and Social Systems") which are designed to ensure that:

1. the Grant proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and

2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. Anti-Corruption

Without limitation upon the provisions of Part A of this Section, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

C. Other Program Institutional and Implementation Arrangements

1. Program Institutions

Without limitation on the generality of Part A of this Section I, the Recipient shall:

(a) Establish through MEHE, no later than one (1) month after the Effective Date and thereafter maintain throughout the implementation of the Program, a Steering Committee (SC) with composition, terms of reference and resources acceptable to the World Bank;

(b) maintain through MEHE throughout the implementation of the Program, a RACE Executive Committee (REC) to provide technical guidance and advice to MEHE; and

(c) maintain through MEHE throughout the implementation of the Program, the PMU with terms of reference, resources, and staff in adequate number
with qualifications and experience acceptable to the World Bank, to be responsible for day-to-day Program implementation coordination.

2. **Program Operations Manual**

(a) The Recipient shall through MEHE develop and adopt, in form and substance satisfactory to the World Bank, a Program Operations Manual containing detailed institutional, administrative, financial management, procurement, disbursement, technical, monitoring and evaluation arrangements, and operational guidelines and procedures for the implementation of the Program, including, *inter alia*:

(i) description of the investment and capacity building activities to be financed under the Program and the associated DLIs/DLrs;

(ii) performance assessment guidelines containing detailed protocols, guidelines, procedures and other arrangements for the carrying out of Annual Performance Assessments, including, *inter alia*, a methodology for determining the achievement of DLRs for each FY;

(iii) a manual describing the intended purposes, eligibility criteria, and financial management and governance procedures for School Grants; and

(iv) social and environmental safeguard measures acceptable to the World Bank to mitigate any environmental and social impacts as a result of Program implementation.

(b) The Recipient shall thereafter ensure that the Program is carried out in accordance with the Program Operations Manual; and shall not amend, abrogate or suspend, or permit to be amended, abrogated or suspended, any provision of the Program Operations Manual, without the prior written agreement of the World Bank. Notwithstanding the foregoing, if any provision of said Program Operations Manual is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. **Additional Program Implementation Arrangements**

The Recipient shall through MEHE carry out the Program Action Plan in accordance with the schedule set out in the said Program Action Plan in a manner satisfactory to the World Bank.
D. Other Program Implementation Undertakings

The Recipient shall, through MEHE, not later than twelve (12) months from the Effective Date, engage a firm under the terms of reference acceptable to the World Bank to perform internal audit functions and provide training to MEHE’s staff in internal audits.

Section II. Excluded Activities

The Recipient shall ensure that the Program excludes any activities which:

A. in the opinion of the World Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or

B. involve the procurement of: (1) works, estimated to cost US$50,000,000 equivalent or more per contract; (2) goods, estimated to cost US$30,000,000 equivalent or more per contract; (3) non-consulting services, estimated to cost US$20,000,000 equivalent or more per contract; or (4) consulting services, estimated to cost $15,000,000 equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation; Audits

A. Program Reports

The Recipient shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 2.06 of the Standard Conditions. Each Program Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

B. Program Financial Audits

Without limitation on the generality of Section I.A of this Schedule 2 and Section 2.07 of the Standard Conditions, the Recipient shall have its Financial Statements for the Program audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period and published at MEHE’s website.

C. Results Independent Verification

1. The Recipient shall, no later than three (3) months after the Effective Date, engage an Independent Verification Agent under terms of reference acceptable to the
World Bank, to prepare and provide verification reports certifying the achievement of DLRs.

2. Without limitation on the provisions of Part C.1 of this Section III, the Recipient shall, from time to time throughout the period of implementation of the Program:

(a) cause an Independent Verification Agent to carry out in accordance with the timetable and the verification protocol set out in the Program Operations Manual, an assessment covering DLRs requested by MEHE for verification to determine: (i) whether the DLRs as requested have been met or the extent to which said DLRs have been met; and (ii) the disbursement amount for said DLRs based on the calculation formula as stipulated in the disbursement table set out in Section IV below; and

(b) furnish said assessment after receiving the final verification reports from the Independent Verification Agent to the World Bank for its review and approval.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of Article III of the Standard Conditions, this Section, and such additional instructions as the World Bank may specify from time to time by notice to the Recipient to finance the results ("Disbursement Linked Results" or "DLRs") achieved by the Recipient, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); all as set forth in the table in paragraph 2 of this Part A.

2. The following table specifies each category of withdrawal of the proceeds of the Grant (including the Disbursement Linked Indicators as applicable) ("Category 1, 2, 3, 4, 5, 6, 7 and 9"), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Grant to each Category:
<table>
<thead>
<tr>
<th>Category (including Disbursement Linked Indicator as applicable)</th>
<th>Disbursement Linked Result (as applicable)</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Disbursement Calculation Formula (Amount expressed in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI #1: Number of school-aged (3-18) children enrolled in formal education in Participating Schools</td>
<td>DLR#1: 500,000 children by completion of the Program</td>
<td>DLR#1: 25,000,000</td>
<td>For every additional 500 students in each Academic Year (AY) (rounded to the closest 500th) from the Baseline (of 400,000 children in AY 2015-2016), 125,000 is disbursed. For each subsequent AY, the students enrolled in the previous year against which the World Bank disbursed is subtracted. The World Bank will disburse for up to a total of 100,000 additional students from the Baseline.</td>
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</table>
| DLI #2: Proportion of students transitioning grades | DLR #2.1: 4 percentage points increase from the Baseline (to be determined in Year 1) in student transition rate of grade 4 transition to grade 5 DLR #2.2: 4 percentage points increase from the Baseline (to be determined in Year 1) in student transition rate of grade 7 transition to grade 8 | DLR#2.1: 7,500,000 DLR#2.2: 7,500,000 | For every 1 percentage point increase from the Baseline (to be determined in Year 1) in each grade transition, 1,875,000 is disbursed. For each subsequent AY, the percentage point increase in the previous year against which the World Bank disbursed is subtracted. A maximum of 3,750,000 can be
<table>
<thead>
<tr>
<th>DLI #3: Teacher performance measured and evaluated</th>
<th>DLR #3.1: first Impact Evaluation Study (IES) conducted and findings of the IES disseminated to relevant education sector policy makers</th>
<th>DLR#3.1: 0</th>
<th>n/a</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLR #3.2: second IES conducted and findings of the IES disseminated to relevant education sector policy makers.</td>
<td>DLR#3.2: 0</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>DLI #4: Number of Participating Schools that implement Formative and Summative Assessments for students in Grade 3 in reading and math</td>
<td>DLR #4.1:50 in Year 2</td>
<td>DLR#4.1: 3,250,000</td>
<td>For every 1 school in Year 2, 65,000 is disbursed up to a maximum of 50 schools.</td>
</tr>
<tr>
<td>DLR #4.2:180 in Year 3</td>
<td>DLR#4.2: 11,700,000</td>
<td>For every 1 school in Year 3, 97,500 is disbursed up to a maximum of 120 schools.</td>
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</tr>
<tr>
<td>DLI #5: Proportion of Participating Schools with active Community Partnerships</td>
<td>DLR#5.1: Second-shift Schools with active Community Partnerships</td>
<td>DLR#5.1: 13,000,000</td>
<td>For every 10 Second-Shift Schools with active Community Partnerships, 500,000 is disbursed, up to a maximum of 260 Second-Shift Schools, which is equivalent to 83% of Second-Shift Schools</td>
</tr>
<tr>
<td><strong>DLR #2.3:</strong> 4 percentage points increase from the Baseline (to be determined in Year 1) in student transition rate of grade 10 transition to grade 11</td>
<td><strong>DLR#2.3:</strong> disbursed per DLR in each AY.</td>
<td>7,500,000</td>
<td></td>
</tr>
<tr>
<td>DLI #6: Timely and robust data available for evidence informed policy making and planning</td>
<td>DLR #6.1: A data and information management framework developed and adopted by MEHE and CERD</td>
<td>DLR#6.1: 2,500,000</td>
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<tr>
<td>DLR #6.2: Annual data available from Participating Schools on disaggregated data on student enrollment by March 1 of each year; and annual data available from Participating Schools on disaggregated data on student grade passing rates by August 31 of each year for current academic year</td>
<td>DLR#6.2: 10,000,000</td>
<td></td>
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<td></td>
<td></td>
<td>DLR#6.2: $2,500,000 disbursed in full for achievement by the March 1 deadline in Year 2 and Year 3. For every one month delay in meeting said deadline, annual disbursement is decreased by 5%. $2,500,000 disbursed in full for achievement by the August 31 deadline in Year 2 and Year 3. For every one month delay in meeting said deadline, annual disbursement is decreased by 10%.</td>
<td></td>
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</tbody>
</table>

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<tr>
<th>DLI #7: Curriculum revised to improve quality of learning</th>
<th>DLR #7.1: Curricula Higher Committee approved a work plan and standard operating procedures for developing the Curriculum</th>
<th>DLR#7.1: 7,600,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLR #7.2: Curriculum team recruited and trained</td>
<td>DLR#7.2: 0</td>
<td></td>
</tr>
<tr>
<td>DLR #7.3: Curriculum design completed.</td>
<td>DLR#7.3: 0</td>
<td></td>
</tr>
<tr>
<td>DLI #8: Foundational Framework and Policies are developed and adopted to support teaching and learning</td>
<td>DLR #8.1: MEHE and CERD developed and endorsed new teacher performance standards, teacher performance observation tools and procedures to implement said standards and tools.</td>
<td>DLR #8.2: CERD developed and endorsed a framework for teacher professional development and performance management</td>
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<tr>
<td>DLI #9: MEHE and CERD’s improved capacity to plan and implement the Program</td>
<td>DLR#9: Four (4) internal audit reports produced per year by MEHE in compliance with standards agreed between MEHE and the World Bank</td>
<td>DLR#9: 1,250,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td></td>
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</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) for purposes of Section 3.04 of the Standard Conditions (renumbered as such pursuant to paragraph 5 of Section II of the Appendix to this Agreement and relating to Program Expenditures), for DLRs achieved prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US$25,000,000 may be made for such DLRs achieved prior to this date but on or after March 31, 2016;

(b) for any DLR, until and unless the Recipient has furnished evidence, verified according to protocols set forth in the Verification Protocol and thus satisfactory to the World Bank, that said DLR has been achieved;

(c) for DLRs 1, 2.1, 2.2, 2.3, 4.1, 4.2, 5.1, 6.2 and 9, withdrawals shall be made in amounts proportional to their degree of achievement as calculated in accordance with the calculation formula for said DLR set out in the disbursement table above under this Section IV (this is a "Scalable DLR"); and

(d) amounts not withdrawn for a given FY, because of a shortfall in achievement of a DLR, can be rolled over into a subsequent FY and then withdrawn to the extent the delayed achievement would have justified disbursement had it been attained on time (except for DLR9).

2. Notwithstanding the provisions of Part B.1(b) of this Section, the Recipient may withdraw an amount not to exceed US$25,000,000 as an advance; provided, however, that if the DLRs in the opinion of the World Bank are not achieved (or only partially achieved) by the Closing Date, the Recipient shall refund such advance (or portion of such advance as determined by the World Bank) to the World Bank promptly upon notice thereof by the World Bank. Except as otherwise agreed with the Recipient, the World Bank shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the World Bank shall specify by notice to the Recipient.

3. Notwithstanding the provisions of Part B of this Section, if any of the DLRs under Categories of 1, 2, 3, 5, 6, 7, and 9 has not been achieved by the date by which the said DLR is set to be achieved, the World Bank may, by notice to the Recipient:

(a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Financing then allocated to said Category which, in the opinion of the World Bank, corresponds to the extent of achievement of said DLR, said lesser amount to be determined by the World Bank; (b) reallocate all or a portion of the proceeds
of the Financing then allocated to said DLR to any other DLR as agreed among the World Bank, MOF, and MEHE; and/or (c) cancel all or a portion of the proceeds of the Financing then allocated to said DLR.

4. The Closing Date is December 31, 2019.

5. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Recipient has failed to provide evidence satisfactory to the World Bank that the Withdrawn Financing Balance does not exceed the total amount of Program Expenditures, the Recipient shall, promptly upon notice from the World Bank, refund to the World Bank such excess amount of the Withdrawn Financing Balance. The World Bank shall cancel the refunded amount of the Withdrawn Financing Balance.
APPENDIX

Section I. Definitions

1. "Academic Year" or "AY" means the school year of the Recipient which commences on September 1 and ends on June 30.


3. "Baseline" means the baseline information established and set out as a part of the Verification Protocol after the initial survey for measuring relevant DLRs.

4. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

5. "CERD" means the Center for Educational Research and Development, the Recipient’s governmental entity responsible for developing curriculum for the Recipient’s education sector.

6. "Curricula Higher Committee" means that committee nominated by the Minister of MEHE to guide the process of the Recipient’s curriculum reform.

7. "Curriculum" means a systematic packaging of competencies including knowledge, skills and attitudes that students should acquire through organized learning experiences both in formal and non-formal educational settings, including those for Grades 1-6, Grades 7-9, Grades 10-12, and kindergarten education.

8. "Community Partnership" means activities undertaken to create and strengthen linkages and communication among schools, parents, children, and other education stakeholders.

9. "Disbursement Linked Indicator" or "DLI" means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, as such DLI may be revised from time to time as agreed among the World Bank, MOF, and MEHE.

10. "Disbursement Linked Result" or "DLR" means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Grant allocated to said result may be withdrawn in accordance with the provisions of said Section IV; as such DLR may be revised from time to time as agreed among the World Bank, MOF, and MEHE.
11. “Fiscal Year” or “FY” means the Fiscal Year of the Recipient which commences on January 1 and ends on December 31.

12. “Formative Summative Assessment” means a test or exercise to determine the existing skills or knowledge of a student, often prior to instruction in the tested subject area, in order to identify learning needs and/or adjust instruction and support needed by the student.

13. “Foundational Framework and Policies” means essential policies and procedures governing activities in classrooms and schools under the authority of MEHE to approve and enact.

14. “Independent Verification Agent” means an independent entity to be engaged by MEHE for the purposes of certifying the achievement of the DLRs as referred to in paragraph 1 of Section III.C of Schedule 2 to this Agreement.

15. “Impact Evaluation Study” means the evaluation studies of teacher performance, consisting of the following activities, inter alia: the classroom practices of at least 200 teachers are observed and evaluated; these teachers will then receive training in specific pedagogic, classroom management and/or subject areas identified during the observation as areas in which they would benefit from additional support; and following the training, these teachers will be observed at least one more time in their classrooms.


17. “MOF” means the Recipient’s Ministry of Finance, or any successor thereto.

18. “Participating Schools” means the public schools selected, or to be selected by the Recipient in accordance with the selection criteria set out in the Program Operations Manual to participate in the Program.

19. “PMU” means the Program management unit referred to in paragraph 1(c) of Section I.C of Schedule 2 to this Agreement.

20. “Program Action Plan” means the Recipient’s plan dated August 3, 2016, and referred to in paragraph 3 of Section I.C of Schedule 2 to this Agreement, as may be amended from time to time with the agreement of the World Bank.

21. “Program Fiduciary, Environmental and Social Systems” means the Recipient’s systems for the Program referred to in Section I.A of Schedule 2 to this Agreement.
22. "Program Operations Manual" means the manual, satisfactory to the World Bank, to be adopted by MEHE and referred to in paragraph 2 of Section I. C of Schedule 2 to this Agreement.

23. "RACE Executive Committee" means the committee referred to in paragraph 1(b) of Section I.C of Schedule 2 to this Agreement.

24. "RACE Program" means the Recipient’s Reaching All Children with Education (RACE) Program, aiming to achieve equitable access by children and their caregivers to formal and on-formal schooling, enhance quality of education services and learning environment, and strengthen the governance and managerial capacities of the Recipient’s relevant institutions.

25. "Results Independent Verification" means each assessment referred to in Section III.C of Schedule 2 to this Agreement.

26. "School Grants" means grants made or proposed to be made by the Recipient to schools for implementation of activities under their respective school improvement plans, all in accordance with the provisions of the Program Operations Manual.

27. "Second-shift Schools" means public schools that provide education services to students outside of the standard school day.


29. "Steering Committee" means the committee referred to in paragraph 1(a) of Section I.C of Schedule 2 to this Agreement.

30. "Verification Protocol" means the Recipient’s protocol detailing the means by which the fulfillment of the Disbursement Linked Results will be verified under the Program, as described in the Program Operations Manual.

31. "Year 1" means the first year of implementation of Program activities expected to take place in Academic Year 2016/2017.

32. "Year 2" means the second year of implementation of Program activities, expected to take place in Academic Year 2017/2018.

33. "Year 3" means the third year of implementation of Program activities, expected to take place in Academic Year 2018/2019.
Section II.    Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. Wherever used throughout the Standard Conditions, the term “the Project” is modified to read “the Program”, the term “Project Report” is modified to read “Program Report”, and the term “Eligible Expenditure” is modified to read “Program Expenditure”.

2. Section 3.03, Special Commitment by the World Bank, is deleted in its entirety, and the subsequent Sections in Article III are renumbered accordingly.

3. In Section 3.03 (originally numbered as Section 3.04), the phrase “or to request the World Bank to enter into a Special Commitment” is deleted.

4. The section originally numbered as Section 3.05, Designated Accounts, is deleted in its entirety, and the subsequent Sections in Article III are renumbered accordingly.

5. Paragraph (a) of Section 3.04 (originally numbered as Section 3.06), Eligible Expenditures (renamed “Program Expenditures” in accordance with paragraph 1 of this Section II), is modified to read: “(a) the payment is for the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Grant in accordance with the provisions of the Grant Agreement;”.

6. Paragraph (a) of Section 3.05 (originally numbered as Section 3.07), Financing Taxes, is modified to read: “(a) The Grant Agreement may specify that the proceeds of the Grant may not be withdrawn to pay for Taxes levied by, or in the territory of, the Member Country on or in respect of Program Expenditures, or on their importation, manufacture, procurement or supply. In such case, if the amount of any such Taxes decreases or increases, the World Bank may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Grant specified in the Grant Agreement, as required to ensure consistency with such policy of the World Bank.”

7. The last sentence of Section 3.05 (originally numbered as Section 3.07), Financing Taxes, is modified to read: “To that end, if the World Bank at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the World Bank may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Grant specified in the Grant Agreement, as required to ensure consistency with such policy of the World Bank.”

8. Section 3.06 (originally numbered as Section 3.08), Reallocation, is modified to read: “Notwithstanding any allocation of an amount of the Grant to a withdrawal
category under the Grant Agreement, the World Bank may, by notice to the Recipient, reallocate any other amount of the Grant to such category if the World Bank reasonably determines at any time that such reallocation is appropriate for the purposes of the Program."

9. Section 4.01, *Cancellation by the Recipient*, is modified to read: "The Recipient may, by notice to the World Bank, cancel any unwithdrawn amount of the Grant."

10. Paragraph (d) of Section 4.03, *Cancellation by the World Bank*, entitled "Misprocurement", is deleted, and subsequent paragraph (e) is re-lettered accordingly.

11. Section 4.04, *Amounts Subject to Special Commitment Unaffected*, is deleted in its entirety, and subsequent Sections in Article IV and references to such Sections are renumbered accordingly.

12. In the Appendix, *Definitions*, all references to Section numbers are modified, as necessary, to reflect the modifications set forth above. In addition, the definition of the term "Special Commitment" set forth in paragraph 22 is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.