Financing Agreement

(Higher Education, Science and Technology Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 23, 2010
FINANCING AGREEMENT

AGREEMENT dated June 23, 2010, entered into between REPUBLIC OF MOZAMBIQUE ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association 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 — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to twenty-four million nine hundred thousand Special Drawing Rights (SDR 24,900,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are May 15 and November 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Parts A.1, A.2, A.3, B.1, and C.1 of the Project through MEC and Parts A.4, A.5, A.6, B.2 and C.2 of the Project through MCT, with the assistance of the MEC PCU and the MCT PCU, in accordance with the provisions of: (a) Article IV of the General Conditions; (b) this Agreement; (c) the Operational Manual; (d) the ESMF; and (e) the Environmental Management Plans.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) Law Number 27/2009, or any provision thereof, shall have been amended suspended, abrogated, repealed, waived or not enforced in such a manner as to affect materially and adversely, in the opinion of the Association, the ability of the Recipient, MEC and/or MCT to carry out their respective components of the Project.

(b) Decree Number 12/2005, or any provision thereof, shall have been amended suspended, abrogated, repealed, waived or not enforced in such a manner as to affect materially and adversely, in the opinion of the Association, the ability of MCT to carry out its respective components of the Project.

(c) Decree Number 25/2007, or any provision thereof, shall have been amended suspended, abrogated, repealed, waived or not enforced in such a manner as to affect materially and adversely, in the opinion of the Association, the ability of the relevant Eligible Research Entity to carry out its respective components of the Project.

4.02. The Additional Events of Acceleration consist of the following:

That any of the events specified in paragraphs (a), (b), and/or (c) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:
(a) The Operational Manual has been issued, approved, and adopted by the Recipient in form and substance acceptable to the Association.

(b) The MEC PCU has been established and fully staffed and is operational as provided for in paragraphs A.1 and A.2 of Section I of Schedule 2 to this Agreement.

(c) The MCT PCU has been established and fully staffed and is operational as provided for in paragraphs A.3 and A.4 of Section 1 of Schedule 2 to this Agreement.

5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Address is:

Ministério de Planificação e Desenvolvimento
Caixa Postal 4087
21 Av. Ahmed Sekou Touré
Maputo
Republic of Mozambique

Cable address: Telex: Facsimile:

MEF  257 MEF B1  258-21492625

6.02. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: Telex: Facsimile:

INDEVAS  248423 (MCI)  1-202-477-6391
Washington, D.C.
AGREED at Maputo, Republic of Mozambique, as of the day and year first above written.

REPUBLIC OF MOZAMBIQUE

By

/s/ Aiuba Cuereneia
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Boris Enrique Utria
Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are to: (a) increase the number and raise the quality of graduates at the undergraduate and graduate levels; and (b) strengthen the national research capacities to produce research outputs of relevance to the Recipient’s strategic economic sectors.

The Project consists of the following parts:

Part A: System Governance, Quality and Management Strengthening

1. Provision of technical assistance, Training, goods, and Operating Costs to MEC for purposes of: (a) strengthening its administrative and technical capacities, as well as of its national council of accreditation and quality and its national institute of distance learning; (b) implementing the accreditation of MEC’s credit transfer pilots; (c) developing national higher education qualification frameworks; and (d) piloting and evaluating the financing instruments for the higher education reform under MEC’s responsibility.

2. Provision of technical assistance and Training to MEC to strengthen its national directorate of higher education’s technical capacities for policy development, monitoring, and evaluation.

3. (a) Construction of a new distance learning network center in Chimoio; (b) design of educational operational guidelines for the distance learning center referred to in Part A.3(a) of the Project; and (c) evaluation of courses in distance learning.

4. Provision of technical assistance, goods, and Operating Costs to MCT to improve its administrative and technical capacity, as well as of its scientific councils and its national academy of science.

5. Provision of technical assistance and goods to MCT to strengthen the implementation of its research and education network.

6. Design and implementation of a national math and science camp for secondary students participating in MCT’s scientists for tomorrow program.

Part B: Improving Quality of Teaching, Learning and Research through Competitive Funds

1. (a) Provision of technical assistance, Training and goods to MEC’s institutional development fund for purposes of developing information
communication applications for education; (b) provision of loans to Recipient’s private higher education institutions to enhance the quality of their teaching and learning processes; and (c) provision of grants to Recipient’s public higher education institutions to enhance the quality of their teaching and learning processes.

2. Provision of grants to Recipient’s: (a) higher education institutions and/or research entities; and (b) postgraduate students, to improve the quality, relevance and production of applied research in the Recipient’s territory.

Part C: Equity and Competitiveness Scholarships

1. Provision of scholarships for Recipient’s qualified students to undertake undergraduate studies.

2. Provision of scholarships for qualified Recipient’s: (a) postgraduate students; and (b) faculty to undertake postgraduate studies in science, engineering and technology.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall establish and thereafter maintain in MEC, at all times during Project implementation, a Project coordination unit (the MEC PCU) with a structure, functions and responsibilities acceptable to the Association, including, *inter alia*, the responsibility of the MEC PCU to assist the Recipient in the coordination, monitoring and supervision of Parts A.1, A.2, A.3, B.1, and C.1 of the Project.

2. The Recipient shall ensure that the MEC PCU is, at all times during Project implementation, headed by a project coordinator, and staffed with a financial management specialist, a procurement specialist, a monitoring and evaluation specialist, and other professional and administrative staff, all hired through competitive processes, in numbers and with qualifications and experience acceptable to the Association.

3. The Recipient shall establish and thereafter maintain in MCT, at all times during project implementation, a Project coordination unit (the MCT PCU) with a structure, functions and responsibilities acceptable to the Association, including, *inter alia*, the responsibility of the MCT PCU to assist the Recipient in the coordination, monitoring and supervision of Parts A.4, A.5, A.6, B.2, and C.2 of the Project.

4. The Recipient shall ensure that the MCT PCU is, at all times during Project implementation, headed by a project coordinator, and staffed with a financial management specialist, a procurement specialist, a monitoring and evaluation specialist, and other professional and administrative staff, all hired through competitive processes, in numbers and with qualifications and experience acceptable to the Association.

B. The Operational Manual

1. The Recipient shall carry out the Project in accordance with a manual (the Operational Manual), acceptable to the Association, said manual to include, *inter alia*:

   (a) An institutional implementation plan of MEC and MCT for the management of the Project (including, *inter alia*, allocation of responsibilities among staff, yearly planning of activities and budget and time allocation for those activities);
(b) procurement manuals to be followed by the Recipient, MEC and MCT during Project implementation;

c) a manual for the administration and provision of grants, loans, and scholarships under Parts B and C of the Project;

d) financial management manuals to be followed by the Recipient, MEC and MCT during Project implementation;

e) the procurement procedures to be followed by MEC and MCT in the administration and provision of grants, loans and scholarships under Parts B and C of the Project;

(f) The criteria and procedures for:

   (i) the selection of Eligible Higher Education Institutions, and Eligible Research Entities, respectively, to receive grants and loans under Part B of the Project;

   (ii) the selection of Eligible Undergraduate Students, Eligible Faculty, and Eligible Postgraduate Students to receive scholarships under Part C of the Project;

   (iii) the review and approval of Private Higher Education Institution Loans, Public Higher Education Institution Grants, Higher Education Institution and Research Entity Grants, Postgraduate Student Research Grants, Undergraduate Equity and Competitiveness Scholarships, and Postgraduate Equity and Competitiveness Scholarships;

   (iv) Training;

   (v) technical assistance; and

   (vi) the implementation of the ESMF in connection with the carrying out of the Project and corresponding Environmental Management Plans (including environmental assessments, social assessments, and consequent mitigation measures);

(g) internal control systems to be followed by MEC and MCT during Project implementation;

(h) the guidelines for Project monitoring and evaluation; and

(i) the Model Forms.
2. Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, suspend, waive or otherwise fail to enforce the Operational Manual or any provision thereof.

3. In case of any conflict between the terms of the Operational Manual and those in this Agreement, the terms of this Agreement shall prevail.

C. Grants, Loans and Scholarship Agreements

1. The Recipient shall, through MEC, enter into: (a) an agreement or amend an existing agreement (the Private Higher Education Institution Loan Agreement); and (b) an agreement or amend an existing agreement (the Public Higher Education Institution Grant); with each Eligible Higher Education Institution for the provision of Private Higher Education Institution Loans, and Public Higher Education Institution Grants, respectively, all on terms and conditions acceptable to the Association.

2. The Recipient shall, through MEC, enter into an agreement or amend an existing agreement (the Undergraduate Equity and Competitiveness Scholarship Agreement), with each Eligible Undergraduate Student, for the provision of Undergraduate Equity and Competitiveness Scholarships, on terms and conditions acceptable to the Association.

3. The Recipient shall, through MCT, enter into an agreement or amend an existing agreement (the Higher Education Institution and Research Entity Grant Agreement) with each Eligible Higher Education Institution and/or Eligible Research Entity for the provision of Higher Education Institution and Research Entity Grants, on terms and conditions acceptable to the Association.

4. The Recipient shall, through MCT: (a) enter into an agreement or amend an existing agreement (the Postgraduate Student Research Grant Agreement); and (b) enter into an agreement or amend an existing agreement (the Postgraduate Equity and Competitiveness Scholarship Agreement), with each Eligible Postgraduate Student, and Eligible Faculty, respectively, for the provision of Postgraduate Student Research Grants, and Postgraduate Equity and Competitiveness Scholarships, respectively, all on terms and conditions acceptable to the Association.

5. The Recipient shall cause MEC and MCT to: (i) exercise their rights and carry out their obligations under each Private Higher Education Institution Loan Agreement; Public Higher Education Institution Grant Agreement; Undergraduate Equity and Competitiveness Scholarship Agreement; Higher Education Institution and Research Entity Grant Agreement; Postgraduate Student Research Grant Agreement; and Postgraduate Equity and Competitiveness Scholarship Agreement, in such a manner as to protect the
interests of the Association, the Recipient, MEC and MCT, and to accomplish the purposes of the Financing; and (ii) except as the Association shall otherwise agree, the Recipient shall not allow MEC and MCT to assign, amend, abrogate, terminate, waive or fail to enforce any Private Higher Education Institution Loan Agreement (or any provision thereof); Public Higher Education Institution Grant Agreement (or any provision thereof); Undergraduate Equity and Competitiveness Scholarship Agreement (or any provision thereof); Higher Education Institution and Research Entity Grant Agreement (or any provision thereof); Postgraduate Student Research Grant Agreement (or any provision thereof); and Postgraduate Equity and Competitiveness Scholarship Agreement (or any provision thereof).

D. Anti-Corruption

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

E. Safeguards

(a) The Recipient shall, prior to initiating the implementation of Part A.3(a) of the Project, provide evidence to the Association, in form and substance satisfactory to the Association, demonstrating that the Recipient has complied with the environmental mitigation, monitoring, institutional strengthening and other environmental protection measures set forth in the ESMF;

(b) Without limitation upon the provisions of paragraph (a) of this Section, the Recipient shall prepare and implement Environmental Management Plans in accordance with the ESMF, in form and substance acceptable to the Association, defining a program of actions, measures and policies to avoid, minimize, mitigate, and offset potential adverse environmental and social impacts, as a result of the carrying out of the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with said Environmental Management Plans;

(c) Furnish to the Association any revisions proposed to be introduced into the ESMF in order to achieve their objectives and, thereafter, introduce such revisions into such frameworks as shall have been agreed with the Association;

(d) Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the provisions of the ESMF and the Environmental Management Plans, and
(e) In case of any conflict between the terms of the ESMF, the Environmental Management Plans, and those of this Agreement, the terms of this Agreement shall prevail.

F. Mid-Term Review

(a) Not later than December 31, 2012, or such later date as may be agreed upon by the Recipient and the Association, the Recipient shall carry out, in conjunction with the Association, a mid-term review of the Project, covering the progress achieved in the implementation of the Project.

(b) The Recipient shall prepare, under terms of reference satisfactory to the Association, and shall furnish to the Association approximately three (3) months prior to the beginning of such mid-term review of the Project, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective of the Project during the period following such date.

(c) The Recipient shall, during the mid-term review, prepare an action program, acceptable to the Association for the further implementation of the Project having regard to the findings of the mid-term review, and thereafter implement such a program.

G. Procurement Audits

(a) The Recipient shall cause the Project’s external auditors to perform an audit, under terms of reference satisfactory to the Association, of the procurement for all goods, works, consultants’ services, Operating Costs, Training, grants, loans and scholarships, required for the Project. Each such audit of the Project’s procurement shall cover the period of two (2) calendar years.

(b) The audit report for each such period shall: (i) be furnished to the Association not later than June 30 of each other year during Project implementation, commencing with calendar year 2012; and (ii) include action plans to improve performance and/or correct any shortcomings and/or deficiencies.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions, including information regarding compliance and progress of implementation of the ESMF and corresponding Environmental Management Plans, and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph agreed with the Association. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following: (i) number of students graduating from higher education institutions increased by 30%; (ii) number of master’s degree graduates in math, sciences, and engineering increased by 20%; (iii) 20% of the academic programs in the higher education institutions accredited by MEC’s national council for accreditation and quality; and (iv) 75% of the approved research projects achieved the intended outcomes.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report 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 Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.
Section III. Procurement

A. General

1. Goods and Works. All goods and works required for the Project and to be financed out of the proceeds of the Financing 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 Financing 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 Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

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:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding subject to the following additional provisions:</td>
</tr>
<tr>
<td>(i) Eligibility. No bidder, foreign or domestic, shall be precluded from participating in the bidding process for reasons unrelated to their eligibility or capability to perform the contract. Examples of reasons that may not be used to preclude a bidder from so participating include the following: proof that the bidder is not under bankruptcy proceedings in the territory of the Recipient; appointment by the bidder of a local representative in the territory of the Recipient; prior registration by the bidder in the territory of the Recipient; or license or agreement allowing the bidder to operate in the territory of Recipient.</td>
</tr>
</tbody>
</table>
(ii) **Qualification.** Bidders shall be post-qualified unless the Procurement Plan explicitly provides otherwise. Irrespective of whether post qualification or prequalification is used, both national and foreign bidders who meet the qualification requirements stated in the bidding documents shall be allowed to participate in the bidding process.

(iii) **Bidding Documents.** Bidders shall use standard bidding documents for the procurement of goods, works and services, consistent with the provisions of the Procurement Guidelines.

(iv) **Preferences.** No preference for domestically manufactured goods or for domestic contractors shall be allowed.

(v) **Bid evaluation.** The qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such criteria so specified shall be used to determine whether a bidder is qualified; the evaluation of the bidder’s qualifications should be conducted separately from the technical and commercial evaluation of the bid. Evaluation of bids shall be made in strict adherence to the criteria set forth in the bidding documents; criteria other than price should be quantified in monetary terms. A contract shall be awarded to the qualified bidder offering the lowest technically responsive evaluated bid. Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

(vi) **Rejection of All Bids and Re-bidding.** In cases where the Recipient rejects all bids and solicits new bids for a contract, it shall, as soon as possible, notify the Association of such decision.

(vii) **Complaints by Bidders.** Complaints by bidders shall be handled by the Recipient, who shall inform the Association of any such complaint.

(viii) **Right to Inspect/Audit.** Each bidding document and contract financed out of the proceeds of the Financing shall provide that the bidder, supplier or contractor, and any subcontractor, shall permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have these accounts and records audited by auditors appointed by the Association. An act by the bidder, supplier, contractor or subcontractor intended to materially impede the Association’s exercise of its inspection and audit right constitutes an Obstructive Practice.

(b) **Shopping**

(c) **Direct Contracting**
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 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.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Selection Based on Consultant’s Qualifications</td>
</tr>
<tr>
<td>(b) Quality Based Selection</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Single Source Selection</td>
</tr>
<tr>
<td>(e) Individual Consultants</td>
</tr>
</tbody>
</table>

D. Review by the Association of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association 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 Financing (“Category”), the allocations of the amounts of the Credit and of the Grant Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultant’s services, Training, Operating Costs, grants, loans and scholarships for Parts A.1, A.2; A.3, B.1, and C.1 of the Project to be implemented by MEC</td>
<td>17,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, consultant’s services, Training, Operating Costs, grants, and scholarships for Parts A.4, A.5, A.6, B.2 and C.2 of the Project to be implemented by MCT</td>
<td>7,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>24,900,000</td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is December 31, 2015.

**Section V. Other Undertakings**

A. The Recipient shall, not later than three (3) months following the Effective Date, hire external auditors for the Project, with qualifications and experience, and pursuant to terms of reference acceptable to the Association, in accordance with the provisions of paragraph C of Section III of Schedule 2 to this Agreement.
### SCHEDULE 3

**Repayment Schedule**

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>Commencing on May 15, 2020 to and including November 15, 2029</td>
<td>1%</td>
</tr>
<tr>
<td>Commencing May 15, 2030 to and including November 15, 2049</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
SCHEDULE 4

Eligibility Criteria for Grants, Loans and Scholarships under the Project

1. Public Higher Education Institution Grants

(a) Without limitation upon the provisions of paragraphs B and C of Section I of Schedule 2 to this Agreement, MEC shall appraise and approve Public Higher Education Institution Grants that satisfy the eligibility criteria set forth in the Operational Manual, which shall include the following minimum requirements:

(i) Proposals shall be submitted to MEC by Eligible Higher Education Institutions with legal personality, pursuant to relevant Recipient’s legislation.

(ii) Proposals for appraisal and approval by MEC shall be aligned with the relevant Eligible Higher Education Institution’s strategic plan.

(iii) Proposals submitted to MEC for appraisal and approval shall have the endorsement of the Eligible Higher Education Institution’s department that will benefit from the relevant Public Higher Education Institution Grant.

(iv) Proposals shall be presented for MEC’s appraisal and approval using an official format provided by MEC setting forth: (A) objectives; (B) expected results; (C) implementation plans; and (D) costs by activity and timetable.

(b) Without limitation upon the provisions of paragraph A of Section IV of Schedule 2 to this Agreement, no Public Higher Education Institution Grant may involve, relate to, or finance any type of:

(i) salaries;

(ii) civil works;

(iii) vehicles;

(iv) customs and other taxes associated with import of goods;

(v) medical and/or other types of insurance;

(vi) debts, liabilities or fines;

(vii) consumption of luxurious goods;
(viii) transfer of ownership;
(ix) purchase or rental of land;
(x) provision of welfare or other social assistance; and
(xi) use of pesticides.

2. **Higher Education Institution and Research Entity Grants**

   (a) Without limitation upon the provisions of paragraphs B and C of Section I of Schedule 2 to this Agreement, MCT shall appraise and approve Higher Education Institution and Research Entity Grants that satisfy the eligibility criteria set forth in the Operational Manual, which shall include the following minimum requirements:

   (i) Proposals shall be submitted to MCT by Eligible Higher Education Institutions or Eligible Research Entities with legal personality, pursuant to relevant Recipient’s legislation.

   (ii) Proposals submitted to MCT for appraisal and approval shall have the endorsement of the Recipient’s Eligible Higher Education Institution’s or Recipient’s Eligible Research Entity that will benefit from the relevant Higher Education Institution and Research Entity Grant.

   (iii) Proposals shall be presented for MCT’s appraisal and approval using an official format provided by MCT setting forth: (A) objectives; (B) expected results; (C) implementation plans; and (D) costs by activity and timetable.

   (iv) Proposals for appraisal and approval by MCT shall be aligned with MCT’s science and technology strategy.

   (b) Without limitation upon the provisions of paragraph A of Section IV of Schedule 2 to this Agreement, no Higher Education Institution and Research Entity Grant may involve, relate to, or finance any type of:

   (i) salaries;

   (ii) civil works;

   (iii) vehicles;

   (iv) customs and other taxes associated with import of goods;

   (v) medical and/or other types of insurance;
(vi) debts, liabilities or fines;
(vii) consumption of luxurious goods;
(viii) transfer of ownership;
(ix) purchase or rental of land;
(x) provision of welfare or other social assistance; and
(xi) use of pesticides.

3. **Postgraduate Student Research Grants**

   (a) Without limitation upon the provisions of paragraphs B and C of Section I of Schedule 2 to this Agreement, MCT shall appraise and approve Postgraduate Student Research Grants that satisfy the eligibility criteria set forth in the Operational Manual, which shall include the following minimum requirements:

   (i) Proposals shall be submitted to MCT by Eligible Postgraduate Students associated with either a Recipient’s higher education institution or a Recipient’s research entity, both with legal personality, pursuant to relevant Recipient’s legislation.

   (ii) Proposals submitted to MCT for appraisal and approval shall have the endorsement of the relevant Eligible Postgraduate Student’s higher education institution or Recipient’s research institute.

   (iii) Proposals shall be presented for MCT’s appraisal and approval using an official format provided by MCT setting forth: (A) objectives; (B) expected results; (C) implementation plans; and (D) costs by activity and timetable.

   (b) Without limitation upon the provisions of paragraph A of Section IV of Schedule 2 to this Agreement, no Postgraduate Student Research Grant may involve, relate to, or finance any type of:

   (i) salaries;

   (ii) civil works;

   (iii) vehicles;

   (iv) customs and other taxes associated with import of goods;

   (v) medical and/or other types of insurance;
(vi) debts, liabilities or fines;
(vii) consumption of luxurious goods;
(viii) transfer of ownership;
(ix) purchase or rental of land;
(x) provision of welfare or other social assistance; and
(xi) use of pesticides.

4. **Private Higher Education Institution Loan**

(a) Without limitation upon the provisions of paragraphs B and C of Section I of Schedule 2 to this Agreement, MEC shall appraise and approve Private Higher Education Institution Loans that satisfy the eligibility criteria set forth in the Operational Manual, which shall include the following minimum requirements:

(i) Proposals shall be submitted to MEC by Eligible Higher Education Institutions with legal personality, pursuant to relevant Recipient’s legislation.

(ii) Proposals for appraisal and approval by MEC shall be aligned with the relevant Eligible Higher Education Institution’s strategic plan.

(iii) Proposals submitted to MEC for appraisal and approval shall have the endorsement of the Eligible Higher Education Institution’s department that will benefit from the relevant Private Higher Education Institution Loan.

(iv) Proposals shall be presented for MEC’s appraisal and approval using an official format provided by MEC setting forth: (A) objectives; (B) expected results; (C) implementation plans; and (D) costs by activity and timetable.

(v) Proposals shall be presented for MEC’s appraisal and approval with a repayment plan.

(b) Without limitation upon the provisions of paragraph A of Section IV of Schedule 2 to this Agreement, no Private Higher Education Institution Loan may involve, relate to, or finance any type of:

(i) salaries;

(ii) civil works;
(iii) vehicles;
(iv) customs and other taxes associated with import of goods;
(v) medical and/or other types of insurance;
(vi) debts, liabilities or fines;
(vii) consumption of luxurious goods;
(viii) transfer of ownership;
(ix) purchase or rental of land;
(x) provision of welfare or other social assistance; and
(xi) use of pesticides.

5. **Undergraduate Equity and Competitiveness Scholarships**

(a) Without limitation upon the provisions of paragraphs B and C of Section I of Schedule 2 to this Agreement, MEC shall appraise and approve Undergraduate Equity and Competitiveness Scholarships that satisfy the eligibility criteria set forth in the Operational Manual, which shall include the following minimum requirements:

(i) Eligible Undergraduate Students shall present legal evidence showing that they are Recipient’s citizens, and not older than 30 years of age.

(ii) Eligible Undergraduate Students shall present legal evidence showing that they have completed their high school education, pursuant to relevant Recipient’s legislation.

(iii) Eligible Undergraduate Students shall apply for Undergraduate Equity and Competitiveness Scholarships using an official format provided by MEC.

(b) Without limitation upon the provisions of paragraph A of Section IV of Schedule 2 to this Agreement, no Undergraduate Equity and Competitiveness Scholarships may involve, relate to, or finance any type of:

(i) salaries;

(ii) civil works;

(iii) vehicles;
(iv) customs and other taxes associated with import of goods;
(v) medical and/or other types of insurance;
(vi) debts, liabilities or fines;
(vii) consumption of luxurious goods;
(viii) transfer of ownership;
(ix) purchase or rental of land;
(x) provision of welfare or other social assistance; and
(xi) use of pesticides.

6. **Postgraduate Equity and Competitiveness Scholarships**

(a) Without limitation upon the provisions of paragraphs B and C of Section I of Schedule 2 to this Agreement, MCT shall appraise and approve Postgraduate Equity and Competitiveness Scholarships that satisfy the eligibility criteria set forth in the Operational Manual, which shall include the following minimum requirements:

(i) Eligible Postgraduate Students shall present legal evidence showing that they are Recipient’s citizens.

(ii) Eligible Postgraduate Students shall present legal evidence showing that they have obtained a higher education degree, pursuant to relevant Recipient’s legislation.

(iii) Eligible Postgraduate Students shall apply for Postgraduate Equity and Competitiveness Scholarships using an official format provided by MCT.

(b) Without limitation upon the provisions of paragraph A of Section IV of Schedule 2 to this Agreement, no Postgraduate Equity and Competitiveness Scholarship may involve, relate to, or finance any type of:

(i) salaries;

(ii) civil works;

(iii) vehicles;

(iv) customs and other taxes associated with import of goods;
(v) medical and/or other types of insurance;
(vi) debts, liabilities or fines;
(vii) consumption of luxurious goods;
(viii) transfer of ownership;
(ix) purchase or rental of land;
(x) provision of welfare or other social assistance; and
(xi) use of pesticides.
APPENDIX

Section I. Definitions


2. “Category” means a category set forth in the table in paragraph A.2 of Section IV of Schedule 2 to this Agreement.


4. “Decree Number 12/2005” means the Recipient’s decree number 12, dated June 10, 2005, promulgated in the Recipient’s official gazette number 23, dated June 10, 2005, that regulates MCT’s (as hereinafter defined) research activities and the legal ways and means to be followed by MCT for the extension of grants, loans; and scholarships for research purposes.


6. “Eligible Faculty” means a professor from a university and/or research institute of the Recipient eligible to benefit from a Postgraduate Equity and Competitiveness Scholarship (as hereinafter defined), in accordance with the provisions of the Operational Manual (as hereinafter defined), and the provisions of paragraph 6 of Schedule 4 to this Agreement.

7. “Eligible Higher Education Institution” means a private and/or public university of the Recipient, as the case may be, legally accredited in the Recipient’s territory under Law Number 27/2009, (as hereinafter defined), and eligible to benefit from Private Higher Education Institution Loans (as hereinafter defined), Public Higher Education Institution Grants (as hereinafter defined),and/or Higher Education Institution and Research Entity Grants, as the case may be, in accordance with the provisions of the Operational Manual (as hereinafter defined), and the provisions of paragraph numbers 4, 1; and 2, respectively, of Schedule 4 of this Agreement.

8. “Eligible Postgraduate Student” means a postgraduate student who is a citizen of the Recipient and is eligible to benefit from a Postgraduate Equity and Competitiveness Scholarship (as hereinafter defined), in accordance with the
provisions of the Operational Manual (as hereinafter defined), and the provisions of paragraph 6 of Schedule 4 to this Agreement.

9. “Eligible Research Entity” means a private and/or public research entity of the Recipient, as the case may be, legally accredited in the Recipient’s territory under Decree Number 25/2007, and eligible to benefit from Higher Education Institution and Research Entity Grants, in accordance with the provisions of the Operational Manual (as hereinafter defined), and the provisions of paragraph 6 of Schedule 4 to this Agreement.

10. “Eligible Undergraduate Student” means an undergraduate student who is a citizen of the Recipient and is eligible to benefit from an Undergraduate Equity and Competitiveness Scholarship (as hereinafter defined), in accordance with the provisions of the Operational Manual (as hereinafter defined), and the provisions of paragraph 5 of Schedule 4 to this Agreement.

11. “Environmental Management Plan” means each plan to be prepared and adopted by the Recipient pursuant to the ESMF (as hereinafter defined), as may be required, setting out the measures to be taken for the avoidance, minimization, mitigation and offsetting of potential adverse environmental and social impacts of the activities to be implemented under the Project, as each said plan may be amended and/or supplemented from time to time with the prior written concurrence of the Association.

12. “Environmental and Social Management Framework” and the acronym “ESMF” mean the Recipient’s environmental and social management framework dated June 30, 2009, and disclosed on that same date in the Recipient’s territory and on August 14, 2009, in the Association’s Info-Shop, setting forth the policy framework, principles, standards, processes, and institutional arrangements to be applied to assess potential adverse environmental and social impacts associated with the Project, and the ways to avoid, minimize, mitigate, or offset them, including public consultation, disclosure and reporting, as the said framework may be amended and/or supplemented from time to time with the prior written concurrence of the Association.


14. “Higher Education Institution and Research Entity Grant” means any of the grants to be awarded by the Recipient through MCT under the relevant Higher Education Institution and Research Entity Grant Agreement (as hereinafter defined) and included in Part B. 2(a) of the Project.
15. “Higher Education Institution and Research Entity Grant Agreement” means any of the agreements referred to in paragraph C.3 of Section I of Schedule 2 to this Agreement.


17. “MCT” means the Recipient’s Ministry of Science and Technology, or any successor thereto.

18. “MCT PCU” means the Project Coordination Unit referred to in paragraphs A.3 and A.4 of Section I of Schedule 2 to this Agreement.


20. “MEC PCU” means the Project Coordination Unit referred to in paragraphs A.1 and A.2 of Section I of Schedule 2 to this Agreement.

21. “Model Forms” means the set of model draft agreements satisfactory to the Association, including standard drafts of Private Higher Education Institution Loan Agreements, Public Higher Education Institution Grant Agreements, Higher Education Institution and Research Entity Grant Agreements, Postgraduate Student Research Grant Agreements, Undergraduate Equity and Competitiveness Scholarships Agreements, and Postgraduate Equity and Competitiveness Scholarship Agreements.

22. “Operating Costs” means reasonable recurrent Project expenditures, based on an annual budget previously approved by the Association, that would not have been incurred by the Recipient absent the Project, on the account of: (a) office utilities and reasonable communications expenses; (b) office rental expenses; (c) Project’s vehicles maintenance costs, fuel and spare parts; (d) travel expenses and per diem for official Project staff (excluding salaries of Recipient’s civil servants); (e) operation and maintenance of office equipment; (f) insurance costs; (g) bank charges pertaining to the Designated Accounts for the Financing; (h) routine translation of Project related documentation; and (i) local advertising costs pertaining to Project related matters, financed with the proceeds of the Financing, all needed for the implementation and supervision of the Project.

23. “Operational Manual” means the manual referred to in paragraph B of Section I of Schedule 2 to this Agreement.
24. “Postgraduate Equity and Competitiveness Scholarship” means any of the scholarships to be awarded by the Recipient through MCT under the relevant Postgraduate Equity and Competitiveness Scholarship Agreement (as hereinafter defined) and included in Part C. 2 of the Project.

25. “Postgraduate Equity and Competitiveness Scholarship Agreement” means any of the agreements referred to in paragraph C.4(b) of Section I of Schedule 2 to this Agreement.

26. “Postgraduate Student Research Grant” means any of the grants to be awarded by the Recipient through MCT under the relevant Postgraduate Student Research Grant Agreement (as hereinafter defined) and included in Part B. 2(b) of the Project.

27. “Postgraduate Student Research Grant Agreement” means any of the agreements referred to in paragraph C.4(a) of Section I of Schedule 2 to this Agreement.

28. “Private Higher Education Institution Loan” means any of the loans to be awarded by the Recipient through MEC under the relevant Private Higher Education Institution Grant Agreement and included in Part B.1(b) of the Project.

29. “Private Higher Education Institution Loan Agreement” means any of the agreements referred to in paragraph C.1(a) of Section I of Schedule 2 to this Agreement.


31. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated September 22, 2009, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

32. “Public Higher Education Institution Grant” means any of the grants to be awarded by the Recipient through MEC under the relevant Public Higher Education Institution Grant Agreement (as hereinafter defined) and included in Part B.1 (c) of the Project.

33. “Public Higher Education Institution Grant Agreement” means any of the agreements referred to in paragraph C.1(b) of Section I of Schedule 2 to this Agreement.

34. “Training” means reasonable expenditures, based on an annual budget previously approved by the Association, (other than those for consultants’ services) incurred by the Recipient, to finance transportation costs and per diem of trainers and
trainees, rental of training and workshop facilities, and acquisition of training equipment and material under the Project.

35. “Undergraduate Equity and Competitiveness Scholarship” means any of the scholarships to be awarded by the Recipient through MEC under the relevant Undergraduate Equity and Competitiveness Agreement (as hereinafter defined) and included in Part C.1 of the Project.

36. “Undergraduate Equity and Competitiveness Scholarship Agreement” means any of the agreements referred to in paragraph C.2 of Section I of Schedule 2 to this Agreement.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005, (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

   “Section 2.07. Refinancing Preparation Advance

   If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (i) of Section 6.02 is modified to read as follows:

   “Section 6.02. Suspension by the Association

   ... (i) Ineligibility. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”
The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”