

Public Disclosure Authorized

OFFICIAL DOCUMENTS

LOAN NUMBER 8743-LK

Loan Agreement

(Accelerating Higher Education Expansion and Development Operation)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 17, 2017

OFFICIAL
DOCUMENTS

LOAN AGREEMENT

AGREEMENT dated July 17, 2017, between DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA ("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 sixty seven million United States dollars (USD 67,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the program and the project as described in parts I (the "Program") and II (the "Project") of Schedule 1 to this Agreement (the Program and the Project hereinafter jointly referred to as the "Operation").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section V of Schedule 2 to this Agreement. All withdrawals from the Loan Account shall be deposited by the Bank into an account specified by the Borrower and acceptable to the Bank.
- 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 Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. 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, however, that the interest payable shall in no event be less than zero percent (0%) per annum ; and provided furthermore 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.

- 2.06. The Payment Dates are May 15 and November 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 4 to this Agreement.
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (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; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — OPERATION

- 3.01. The Borrower declares its commitment to the objectives of the Operation. To this end, the Borrower shall carry out the Operation, and/or cause the Operation to be carried out, in accordance with the provisions of Article V of the General Conditions.
- 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 Operation is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following, namely, that the Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness and the right of the Borrower to make withdrawals thereunder (other than the effectiveness of this Agreement) have been fulfilled.
- 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 Secretary, Ministry of Finance.
- 5.02. The Borrower's Address is:

Director General
Department of External Resources
The Secretariat
Colombo 1, Sri Lanka

Facsimile:

+94-11-2447633

5.03. The Bank's Address is:

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

Facsimile:

1-202-477-6391

AGREED at Colombo, Democratic Socialist Republic of Sri Lanka, as of the day and year first above written.

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

By



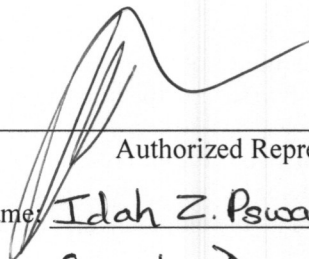
Authorized Representative

Name: Dr. R.H.S. Samaratunga

Title: Secretary, Ministry of Finance & Mass Media.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: Idah Z. Pswarayi-Riddihough

Title: Country Director
Sri Lanka and Maldives

SCHEDULE 1

Operation Description

The objective of the Operation is to increase enrollment in Priority Disciplines, improve the quality of degree programs and promote research and innovation in the higher education sector.

Part I: The Program consists of the following activities:

Results Area 1: Increasing Enrollment in Higher Education in Priority Disciplines for Economic Development

The purpose of this Results Area is to increase enrolment in higher education programs of strategic importance for economic development through:

1. *Expanding Enrollment in State Higher Education Institutions ("HEIs"):* (a) establishing new science, technology, engineering and mathematics ("STEM") Faculties in Universities and/or expanding existing ones, developing their human resources and providing equipment and software thereof; (b) expanding current Advanced Technological Institutes ("ATIs") and establishing new ones in underserved geographical regions, developing their human resources and providing equipment and software thereof; and (c) supporting innovative degree programs in STEM Faculties for students who have pursued arts, commerce, science or technology courses in secondary schools;
2. *Increasing Enrollment in Non-State HEIs:* developing and implementing a Students Loan scheme to provide financial assistance to students' enrolling in Non-State HEIs accredited with the Standing Committee on Quality Assurance and Accreditation ("SCQAA") and/or University Grants Commission ("UGC");
3. *Promoting Alternative Modes of Delivery:* scaling up the Universities' use of e-learning solutions through the use of open education resources and learning software, and the piloting customized massive open online courses; and
4. *Strategic Planning:* enabling the strategic development of the higher education sector by designing and rolling out a framework for planning the Universities' and ATIs' development and monitoring their performance.

Results Area 2: Improving the Quality of Higher Education

The purpose of this Result Area is to improve the quality of degree programs at Universities, Non-State HEIs and ATIs to achieve academic excellence and high quality socio-emotional skills, through:

1. *Enriching Learning, Teaching and Assessment and Promoting English Language Skills Enhancement:* (a) developing and implementing a competitive grant scheme providing: (i) enriching learning, teaching and assessment (“ELTA”) financing to Faculties and/or their Departments to introduce modern curriculum approaches and delivery modes, expand the use of digital resources and blended learning, facilitate international linkages with overseas universities and exchange programs, and promote industry placements for students, and (ii) English language skills enhancement (“ELSE”) financing to Faculties and/or their Departments or units, to enhance English proficiency of Universities’ students; and (b) strengthening the English language teaching departments/units at Faculties/Universities;
2. *Fostering the Professional Development of Academic, Managerial, and Technical Staff:* (a) establishing a Scholarship scheme for: (i) young academics staff at University and/or Non-State HEIs to pursue postgraduate degrees overseas, or with a significant overseas experience; and (ii) academic staff at Sri Lanka Institute of Advanced Technological Education (“SLIATE”)/ATIs for the pursuit of professionally oriented doctoral and/or masters programs; and (b) providing short-term training programs for capacity building of academic, technical, managerial and administrative staff in the higher education sector;
3. *Promoting Quality Assurance:* (a) carrying out external quality assurance review of all Universities as well as all their External Degree Programs; (b) developing and implementing quality assurance guidelines for postgraduate education; (c) implement quality review assessments of ATIs; (d) registering and accrediting Non-State HEIs through SCQAA; and (e) strengthening the internal quality assurance mechanisms at Universities and ATIs through the provision of technical support for the enhancement of institutional capacity of internal quality assurance units at Universities and/or internal quality assurance cells at ATIs; and
4. *Implementing Sri Lanka Qualifications Framework:* implementing the Sri Lanka Qualification Framework (“SLQF”) to establish an integral national framework for learning achievements covering Universities, Non-State HEIs and ATIs.

Results Area 3: Promoting Research, Development and Innovation

The purpose of this Results Area is to instill a culture of research and development, innovation and commercialization at Universities through:

1. *Catalyzing Development Oriented Research*: providing development-oriented research ("DOR") Grants to Universities and Non-State HEIs to undertake research relevant for economic and social development in STEM and/or humanities, education, management and social sciences ("HEMS") subjects;
2. *Catalyzing Research Innovation and Commercialization*: (a) providing research, innovation and commercialization ("RIC" Grants to Universities and Non-State HEIs to undertake research STEM and/or HEMS subjects, and promote innovations of direct economic relevance, for the development of the industrial and service sectors; (b) providing innovation commercialization enhancement ("ICE") Grants to Universities; (c) assisting Universities and Non-State HEIs to develop, register and commercialize intellectual property, and enforce their rights thereto; and (d) establishing university-business linkage offices at University and Non-State HEIs for the commercialization of research, the promotion of research collaboration and technology transfers, and the strengthening of their intellectual property transactions with private firms and industry.

Part II: The Project consists of the following activities:

Program Operations Technical Support

Strengthening the institutional capacity of Ministry of Higher Education and Highways ("MHEH"), UGC, SLIATE, Universities, ATIs and Non-State HEIs to carry out the Program, including, *inter alia*: (i) coordinating their respective activities and promoting synergies among their academic, technical and operational interventions under the Program; (ii) establishing and operating the operations monitoring and support team ("OMST") and operations technical secretariat ("OTS"); (iii) carrying out sector and institutional planning, as well as monitoring and evaluation activities thereof; (iv) preparing annual budgets; (v) carrying out third party verification of the achievement of DLIs/DLRs; (vi) designing and implementing stakeholder feedback surveys and graduate tracers studies; (vii) implementing the ESSA's recommendations and the Program Action Plan in the carrying out of the Operation; and (viii) enhancing the policy environment for the development of public-private partnership in higher education including the developing of applicable guidelines for Students Loans.

SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Borrower shall vest the overall responsibility for the implementation of this Operation in MHEH, and, to this end, it shall:

- (a) establish within MHEH, by no later than three (3) months after the Effective Date, and thereafter maintain throughout the period of implementation of the Operation, a steering committee chaired by the Secretary of the MHEH, and comprised of representatives of the DER, DNP, DPMM, DNB, UGC, SLIATE, ATIs, Universities and Non-State HEIs, in numbers and under terms of reference set forth in the Operations Manual; which committee shall be responsible for monitoring the progress achieved in the carrying out of the Operation, coordinating activities among the various implementing agencies/entities and providing guidance therefor in order to ensure the successful carrying out of the Operation's activities
- (b) establish within MHEH, by no later than three (3) months after the Effective Date, and thereafter maintain throughout the period of implementation of the Operation, an operations monitoring and support team ("OMST"), headed by Vice-Chairman of UGC and provided with competent, experienced and qualified staff, in sufficient numbers and under terms of reference acceptable to the Bank, and vested with powers, financial resources, functions and competences, acceptable to the Bank, as set forth in the Operations Manual; which team shall serve as the focal unit in the carrying out of the Operation, including: (i) coordinating with the UGC, the Universities, SLIATE, the ATIs and the Non-State HEIs in their carrying out of the day-to-day implementation of their respective activities under the Operations; (ii) verifying the achievement/fulfillment of DLI(s)/DLR(s); (iii) executing, and/or ensuring compliance with, the Program Action Plan; (iv) coordinating and facilitating the Operation's monitoring, research and policy studies; (v) establishing and facilitating the operation of OTS at Universities; (vi) ensuring compliance with the fiduciary and social and environmental requirements of the Operation; and (vii) carrying out the Project; and
- (c) establish within each University, by no later than six (6) months after the Effective Date, and thereafter maintain, throughout the period of

implementation of the Operation, an operations technical secretariat ("OTS"), headed by a senior academic of the respective University and provided with competent, experienced and qualified staff, in sufficient numbers and under terms of reference acceptable to the Bank, and vested with powers, financial resources, functions and competences, acceptable to the Bank, as set forth in the Operations Manual; which secretariat shall serve as the liaison unit between the respective University and MHEH, in order to coordinate, monitor and facilitate the implementation of the Operation's activities by the various Faculties and/or their institutes or Departments.

B. Anti-Corruption Guidelines for the Program

The Borrower shall ensure that the Program is carried out in accordance with the provisions of the Bank's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing" dated February 1, 2012 and revised July 10, 2015.

C. Anti-Corruption Guidelines for the Project

The Borrower shall ensure that the Project be carried out in accordance with the provisions of the Bank's "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.

D. Program Fiduciary, Environmental and Social Systems

1. Without limitation on the provisions of Article V of the General Conditions, the Borrower 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 Bank, including those set out in the ESSA, the Operations Manual and the Program Action Plan (collectively, the "Program Fiduciary, Environmental and Social Systems") which are designed to ensure that:
 - (a) the Loan proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and
 - (b) 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.
2. The Borrower shall:

- (a) through the OMST, prepare and adopt, by no later than December 31, 2018, and thereafter implement throughout the period of implementation of the Program, a safeguards monitoring protocol/framework, acceptable to the Bank, for MHEH and UGC to monitor the SLIATE/ATIs' and the Universities' compliance with environmental and social regulations under Sri Lankan laws, in a manner and substance satisfactory to the Bank; and
 - (b) through MHEH and UGC, prepare annual reports pursuant to the approved safeguards monitoring protocol/framework, in a manner and substance acceptable to the Bank, and submit them to the Bank by no later than March 31 each year, commencing on March 31, 2019.
- 3. The Borrower shall establish within MHEH, by no later than six (6) months after the Effective Date, and thereafter maintain throughout the period of implementation of the Program, a citizens feedback and grievance redressal mechanism acceptable to the Bank, with guidelines and procedures agreed with the Bank and (to be) reflected in the Operations Manual, in order to process and address any complaints arising from the implementation of any activities under the Program.

E. Operations Manual

- 1. The Borrower shall:
 - (a) carry out the Operation, and cause the UGC, the Universities, the SLIATE, the ATIs and the Non-State HEIs to carry out their respective activities under the Operation, in accordance with the provision of the Operations Manual; and
 - (b) refrain, and cause the UGC, the Universities, the SLIATE, the ATIs and the Non-State HEIs to refrain, from materially and/or substantially amending, revising, waiving, voiding, suspending or abrogating, any provision of the Operations Manual, whether in whole or in part, without the prior written concurrence of the Bank.
- 2. In the event of any inconsistency between the provisions of the Operations Manual and those of this Agreement, this Agreement shall govern.

F. Program Action Plan

- 1. The Borrower shall:
 - (a) implement the Program Action Plan agreed with the Bank, in a manner and substance satisfactory to the Bank; and

- (b) refrain from amending, revising, waiving, voiding, suspending or abrogating, any provision of the Program Action Plan, whether in whole or in part, without the prior written concurrence of the Bank.
- 2. In the event of any inconsistency between the provision of the Program Action Plan and those of this Agreement, the provision of the latter agreement shall govern

G. Non-State HEIs' Students Loans Schemes

In order to develop and implement the Students Loan schemes provided for in Results Area 1.2 of the Program, the Borrower shall:

- (a) by no later than six (6) months after the Effective Date:
 - (i) develop and approve the mechanisms to effect/account for any transfers of Students Loan funds to student beneficiaries and/or Non-State HEIs in a manner and substance acceptable to the Bank, and
 - (ii) amended/supplemented the Operations Manual to include the foregoing mechanisms as well as: (A) the fiduciary and reporting requirements therefor; (B) the meritocratic, transparent and non-discriminatory criteria and procedures for the selection of beneficiary students and/or Non-State HEIs; and (C) the terms and conditions of the Students Loans, all in a manner and substance acceptable to the Bank; and
- (b) thereafter, ensure that the selection of university students and/or Non-State HEIs benefiting from the Students Loan schemes and the execution of such schemes are carried out in consistency with the Operations Manual.

H. ELTA-ELSE Grants

In carrying out the activities under Result Areas 2.1 and 2.2.(a) of the Program, the Borrower shall:

- (a) publicly invite the Faculties and Departments of Universities to submit proposals for the implementation of enriching learning, teaching and assessment initiatives as well as English language skills enhancement initiatives ("ELTA-ELSE Proposals"), all in accordance with the provisions of the Operations Manual;

- (b) screening the ELTA-ELSE Proposals submitted pursuant to subparagraph (a) above in accordance with the eligibility/preparedness criteria and selection procedures set forth in the Operations Manual; and
- (c) upon the selection/approval of ELTA-ELSE Proposals, through OMST, enter into a written agreement with each awardee University for the provision of the respective grant (the "ELTA-ELSE Grant"), under terms and conditions set forth in the Operations Manual and agreed with the Bank.

I. Scholarship Schemes

In carrying out the activities under Result Area 2.3(a) of the Program, the Borrower shall:

- (a) publicly invite the Universities, Non-State HEIs and/or ATIs to submit the candidacy of their respective academic staff interested in pursuing Ph.D., masters, or professional doctoral degrees overseas (or joint programs with a substantial overseas component) for financing under the Scholarship scheme, in accordance with the provisions of the Operations Manual;
- (b) screen those candidacies submitted pursuant to subparagraph (a) above in accordance with meritocratic, transparent and non-discriminatory criteria set forth in the Operations Manual; and
- (c) upon the selection of suitable candidates, enter into a written agreement with each awardee candidate for the provision of the respective Scholarship, under terms and conditions set forth in the Operations Manual and agreed with the Bank.

J. DOR Grants, RIC Grants and ICE Grants

In carrying out the activities under Results Areas 3.1, 3.2.(a) and 3.2.(b) of the Program, the Borrower shall:

- (a) publicly invite:
 - (i) Universities and Non-State HEIs to submit proposals for the implementation of development-oriented research proposals ("DOR Proposals") and research, innovation commercialization proposals ("RIC Proposals") in accordance with the provisions of the Operations Manual; and

- (ii) Universities which have successfully implemented activities under the HETC Project, to submit a new proposal for the enhancement of their innovation commercialization initiatives (the "ICE Proposal") in accordance with the provisions of the Operations Manual;
- (b) screen the DOR Proposals, RIC Proposals and ICE Proposals submitted pursuant to subparagraph (a) above in accordance with the eligibility/preparedness criteria and selection procedures set forth in the Operations Manual; and
- (c) upon the selection/approval of a DOR Proposal, a RIC Proposal and/or an ICE Proposal through OMST, enter into a written agreement with each awardee University or Non-State HEIs, as the case may be, for the provision of the respective grant (the "DOR Grant," the "RIC Grant," or the "ICE Grant" as the case may be), under terms and conditions set forth in the Operations Manual and agreed with the Bank

Section II. Excluded Activities

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

- (a) in the opinion of the 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 USD50,000,000 equivalent or more per contract; (2) goods, estimated to cost USD30,000,000 equivalent or more per contract; (3) non-consulting services, estimated to cost USD20,000,000 equivalent or more per contract; or (4) consultants' services, estimated to cost USD15,000,000 equivalent or more per contract.

Section III. Operations Monitoring, Reporting and Evaluation; Audits

A. Progress Reports for the Operation

The Borrower shall monitor and evaluate the progress of the Operation and prepare Progress Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed with the Bank. Without limiting Section 5.08 of the General Conditions, the Progress Reports shall cover the progress achieved by the Borrower in the implementation of the Program Action Plan. Each Progress Report shall cover the period of one calendar semester, and

shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management and Audits for the Operation

1. The Borrower, acting through MHEH, shall maintain, and cause the UGC, the Universities, SLIATE, the ATIs and the Non-State HEIs to maintain, financial management systems and prepare, and cause UGC, the Universities, SLIATE, the ATI, and the Non-State HEIs to prepare, financial statements ("Financial Statements") in accordance with consistently applied accounting standards acceptable to the Bank, in a manner to adequately reflect resources and expenditures related to the Operation. To this end, the Borrower shall:
 - (a) purchase/develop, and install at MHEH/OMST and the Universities, by no later than December 31, 2018, an automated accounting system for the Operation with modules, functions and standards acceptable to the Bank, and thereafter carry out the accounting of all Program Expenditures and Eligible Expenditures under the Operation and preparing the Financial Statements referred to in paragraph 2 below utilizing such upgraded system in manner and substance satisfactory to the Bank; and
 - (b) develop and adopt, and cause UGC, SLIATE, ATIs and Universities to adopt, by no later than June 30, 2018, a risk-based approach internal auditing plan acceptable to the Bank, and thereafter implement such plan to cover the Operation in a manner and substance satisfactory to the Bank.
2. Without limitation on the generality of Section I.D of this Schedule 2 and Section 5.09 of the General Conditions, the Borrower shall, and shall cause the UGC, the Universities, SLIATE, the ATIs and the Non-State HEIs to, have the Financial Statements for the Program and the Project audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Project's and the Program's financial Statements shall cover the period of one fiscal year of the Borrower, the UGC, the Universities, SLIATE, the ATIs and the Non-State HEIs, as the case may be, commencing with the fiscal year in which their respective first withdrawal/financing was made from the Loan under the Program and/or the Project. Unless otherwise agreed with the Bank, the Borrower's, the UGC's, the Universities', SLIATE's, the ATIs' and the Non-State HEIs' audited Financial Statements for each such period (pertaining to the Operation) shall be furnished to the Bank no later than: (a) six (6) months after the end of such period with respect to the expenditures incurred under the Project; and (b) twelve (12) months after the end of such period with respect to the expenditures incurred under the Program. .

C. Verification Protocols for the Program

The Borrower shall:

- (a) undertake the verification process to certify the fulfillment/achievement of the Disbursement Linked Results set out in Schedule 3 to this Agreement, though hiring of independent consultant(s), with qualifications and experience and under terms of reference agreed with the Bank; and
- (b) furnish to the Bank the corresponding verification report(s), in form and substance agreed with the Bank.

D. Interim Financial Report for the Project

Without limitation of the provisions of sub-Sections III.A and III.B of this Schedule 2, the Borrower 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 ("IUFs") for the Project covering the Eligible Expenditures incurred during the quarter, all in form and substance satisfactory to the Bank.

Section IV: Procurement Activities under the Project

A. General

1. **Goods and Non-consulting Services.** All goods 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 and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the following additional provisions set forth in paragraph B.3 (below) of this Section IV; (b) Shopping; (c) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Bank; (d) Direct Contracting; and (e) Community Participation procedures which have been found acceptable to the Bank.
3. **Additional Requirements under National Competitive Bidding:** In order to ensure economy, efficiency, transparency and broad consistency with the provisions of the Procurement Guidelines, goods, works, and non-consultant services procured under the National Competitive Bidding method shall be subject to the following requirements:
 - (a) Only the model bidding documents for National Competitive Bidding agreed with the Bank shall be used for bidding.
 - (b) Invitations for bids will be advertised in at least one widely circulated national daily newspaper, and bidding documents will be made available at least twenty one (21) days before, and issued up to, the deadline for submission of bids.
 - (c) Qualification criteria will be stated in the bidding documents, and if a registration process is required, a foreign firm declared as the lowest evaluated responsive bidder shall be given a reasonable time for registering, without let or hindrance.
 - (d) Bids will be opened in public in one location, immediately after the deadline for the submission of bids, as stipulated in the bidding document (the bidding document will indicate the date, time and place of bid opening).
 - (e) Except in cases of *force majeure* or exceptional situations beyond the control of the implementing agency, the extension of bid validity will not be allowed.
 - (f) Bids will not be rejected merely on the basis of a comparison with an official estimate.
 - (g) Except with the prior concurrence of the Bank, there will be no negotiation of price with bidders, even with the lowest evaluated bidder.

- (h) A bidder's bid security will apply only to the specific bid, and a contractor's performance security will apply only to the specific contract under which they are furnished.
- (i) Bids will not be invited on the basis of percentage premium or discount over the estimated cost, unless agreed with the Bank.

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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

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 V. Withdrawal of Loan and Credit Proceeds

A. General

1. The Borrower may withdraw the proceeds of:
 - (a) the Loan and/or the Credit in accordance with the provisions of Article II of the General Conditions, this Section and such additional instructions as the Bank may specify from time to time by notice to the Borrower in order to finance the Program Expenditures, on the basis of the results ("Disbursement Linked Results" or "DLRs") achieved by the Borrower, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); all as set forth in Categories (1) through (6) of the table in paragraph 2 (below) of this sub-Section V.A and Schedule 3 to this Agreement

- (b) the Loan in accordance with the provisions of Article II of the General Conditions, this Section and such additional instructions as the Bank may specify from time to time by notice to the Borrower (including the "Disbursement Guidelines for Investment Project Financing" dated February 2017, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions) in order to: (i) financed the Project's Eligible Expenditures as set forth in Category (7) of the table in paragraph 2 (below) of this sub-Section V.A; (ii) pay the Front-end Fee (Category 8) and/or (iii) pay each Interest Rate Cap or Interest Rate Collar premium, if applicable, upon the Borrower's exercising the respective options in Section 2.08 of this Agreement (Category 9).
2. The following table specifies the categories for the withdrawal of the proceeds of the Loan and/or the Credit, as well as the allocated amounts for each such category, including, as the case may be: (a) the Program's Disbursement Linked Indicators that may be financed out of the proceeds of the Loan and/or the Credit under Categories (1) through (6); and (b) the Project's Eligible Expenditures that may be financed out of the Loan under Category (7) (as well at the financing percentage applicable thereto). Notwithstanding the foregoing, for purposes of Categories (1) through (6) of the table below, the actual amounts authorized for disbursement ("Allocated Amounts") and/or the formula for their determination upon the achievement of an individual DLR for any given DLI finance under any such Categories, are set forth in Schedule 3 to this Agreement:

Category (including Disbursement Linked Indicator as applicable)	Amount of the Loan Allocated (expressed in USD)	Amount of the Credit Allocated (expressed in SDR)	Percentage of Eligible Expenditures to be financed (inclusive of Taxes)
(1) DLI #1: HEIs' STEM degree programs increase intake	0	16,250,000	N/A
(2) DLI #2: Higher Education Sector Development Strategy ("HEDS") implemented and regularly updated	8,000,000	0	N/A
(3) DLI #3: Faculty-level systems for enriching learning, teaching and assessment through competitive grants developed and outcomes	24,000,000	0	N/A

Category (including Disbursement Linked Indicator as applicable)	Amount of the Loan Allocated (expressed in USD)	Amount of the Credit Allocated (expressed in SDR)	Percentage of Eligible Expenditures to be financed (inclusive of Taxes)
achieved for arts, management and science degree programs			
(4) DLI #4: Department-level systems for enriching learning, teaching and assessment through competitive grants developed and outcomes achieved for arts, management and science degree programs	0	8,150,000	N/A
(5) DLI #5: Ph.D. and Master's degrees and professional doctorates completed by University, Non-State HEIs and SLIATE academic staff	12,000,000	0	N/A
(6) DLI #6: University level systems for research and development and innovation and commercialization programs ("RDIC Program") developed and outcomes achieved	16,000,000	0	N/A
(7) Goods, non-consulting services, consultants' services, Incremental Operating Costs and Training and Workshops under the Project (i.e. Part II of the Operation)	6,832,500	N/A	100%
(8) Front-end Fee to be paid pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions*	167,500	N/A	100%
(9) Interest Rate Cap or Interest Rate Collar premium to be paid pursuant to Section 2.08(c) of	0	N/A	100%

Category (including Disbursement Linked Indicator as applicable)	Amount of the Loan Allocated (expressed in USD)	Amount of the Credit Allocated (expressed in SDR)	Percentage of Eligible Expenditures to be financed (inclusive of Taxes)
this Agreement in accordance with Section 4.05 of the General Conditions*			
TOTAL AMOUNT	67,000,000	24,400,000	

* The Front-end Fee, and Interest Rate Caps or Interest Rate Collar premia/are exclusively accrued under, and applicable to, the IBRD Loan.

B. Withdrawal Conditions

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

- (a) for payments made for Eligible Expenditures or Program Expenditures prior to the date of this Agreement;
- (b) under Categories (1) through (7), until and unless the Borrower has established an operational OMST, pursuant to Section I.A.(b) of this Schedule, in a manner and substance satisfactory to the Bank; and
- (c) for any DLR under Categories (1) through (6), until and unless the Borrower has furnished evidence satisfactory to the Bank that said DLR has been achieved.

2. Notwithstanding the provisions of Part B.1(c) of this Section, the Borrower may, at any point in time and upon fulfilment of the condition precedent to disbursements set forth in Part B.1(b) of this Section, withdraw the proceeds of the Loan and/or the Credit up to an aggregate amount not to exceed the equivalent of twenty-five percent (25%) of amount allocated to Categories (1) through (6) under each such financings (net of cancellations) as advance for purposes of achieving one or more DLRs for which the Borrower shall subsequently furnish to the Bank the evidence referred to in sub-paragraph 1(c) (above) of Part B of this Section V; provided, however, that, if by the date six (6) month after the Closing Date (i.e. the end of acceptable period for the verification of the DLRs), the Borrower has withdrawn amounts out of the proceeds of the Loan and/or the Credit in excess of the Allocated Amount(s) authorized for disbursement as per Schedule 3 to this Agreement in respect of documented/achieved DLRs, the Bank shall require from the Borrower, and the Borrower shall refund to the Bank, the amount of such excess, promptly upon notice thereof by the Bank, in order for the Bank to proceed

with its cancellation. Notwithstanding the foregoing, the Bank may, at any time, in its own discretion, exercise any of the actions set forth in sub-paragraph 3 (below) of Part B of this Section V, in respect of any such amounts.

3. Notwithstanding the provisions of Part B.1(c) of this Section, if the Bank is not satisfied that any of the DLR(s) set forth in Schedule 3 of this Agreement has/have been achieved by the end of the Year in which said DLR(s) is/are set to be achieved, the Bank may, by notice to the Borrower, decide, in its sole discretion, to:
 - (a) authorize the withdrawal of such lesser amount of the respective Allocated Amount(s) allocated to said DLR(s) which, in the opinion of the Bank, corresponds to the extent of achievement of said DLR(s);
 - (b) authorize subsequent withdrawals of all or portion of the Allocated Amounts for said DLR(s) upon the Borrower's achieving such DLRs at a later date;
 - (c) reallocate all or a portion of the proceeds of the Allocated Amount for said DLR(s) to any other DLR(s); and/or
 - (d) cancel all or a portion of the Allocated Amounts then allocated to said DLR(s).

C. Withdrawal Reconciliations; Withdrawal Period

1. Notwithstanding the foregoing provisions of this Section V, if at any time after the Closing Date the Borrower has failed to provide evidence satisfactory to the Bank that the aggregated amounts of the Withdrawn Loan Balance for Categories (1) through (6) (under the Loan) and the Withdrawn Financing Balance (under the Credit) do not exceed aggregated total amounts of Program Expenditures paid by the Borrower on account of the implementation of the Program (exclusive of any such expenditures financed by any other financier or by the Bank under any other loan, credit or grant), Borrower shall, promptly upon notice from the Bank, refund to the Bank such excess amount of the Withdrawn Loan Balance and/or the Withdrawn Financing Balance under Categories (1) through (6). Any such refunds will be first attributed to the Withdrawn Loan Balance and then to the Withdrawn Financing Balance. The Bank shall cancel the so refunded amounts from the Withdrawn Loan Balance and/or the Withdrawn Financing Balance, as the case may be.

2. Notwithstanding the foregoing:
 - (a) any transfers of funds under by MHEH to Non-State HEIs under this Operation shall be deemed made for Program Expenditures and/or Eligible Expenditures only after MHEH has devised and adopted the mechanisms to effect/account for such transfers pursuant to the provisions of Section I.G (above) of this Schedule; and
 - (b) capital expenditure shall only be considered part of the Program Expenditures once: (i) the Borrower has provided the Bank with all necessary information, as shall be/have been required by the Bank, for the Bank to assess the nature and need for such capital expenditures under the Program; and (ii) the Bank has thereafter confirmed in writing to the Borrower its concurrence with the inclusion in the Program Expenditures of all or part of the capital expenditure so assessed.
3. The Closing Date is June 30, 2023.

SCHEDULE 3

Disbursement-Linked Indicators, Disbursement-Linked Results and Allocated Amount(s) Applicable to the Program

DISBURSEMENT LINKED INDICATORS	DISBURSEMENT LINKED RESULTS				
	RESULTS TO BE ACHIEVED IN FY2018 (YEAR 1)	RESULTS TO BE ACHIEVED IN FY2019 (YEAR 2)	RESULTS TO BE ACHIEVED IN FY2020 (YEAR 3)	RESULTS TO BE ACHIEVED IN FY2021 (YEAR 4)	RESULTS TO BE ACHIEVED IN FY2022 (YEAR 5)
1. <i>HEIs' STEM degree programs increase intake</i>	16,000 new students have enrolled in the first year of HEIs' STEM degree programs in academic year 2018 or thereafter.	17,500 new students have enrolled in the first year of HEIs' STEM degree programs in academic year 2019 or thereafter		19,500 new students have enrolled in the first year of HEIs' STEM degree programs in academic year 2021 or thereafter	
<i>Allocated Amount(s) & Source of Funding</i>	IDA: SDR 4,450,000	IDA: SDR 5,900,000		IDA: SDR 5,900,000	
2. <i>Higher Education Sector Development Strategy (HEDS) implemented and regularly updated</i>			MHEH and UGC have implemented and the HEDS and updated it to cover calendar years 2019-2025		MHEH and UGC have implemented the HEDS and updated it to cover calendar years 2021-2026
<i>Allocated Amount(s) & Source of Funding</i>			IBRD: USD 4,000,000		IBRD: USD 4,000,000
3. <i>Faculty-level systems for enriching</i>	MHEH has awarded the first round of competitive ELTA-ELSE	At least ten (10) faculties awarded ELTA-ELSE Grants under the first	MHEH has awarded the second round of competitive ELTA-ELSE	At least ten (10) faculties awarded ELTA-ELSE Grants under the second	At least twenty (20) faculties awarded ELTA-ELSE Grants have

<i>learning, teaching and assessment through competitive grants developed and outcomes achieved for arts, management and science degree programs</i>	Grants to at least ten (10) Faculties.	round have achieved fifty percent (50%) of their outcome targets related to the promotion of academic learning combined with interactions between University students and the world of work.	Grants to at least ten (10) Faculties.	round have achieved fifty percent (50%) of their outcome targets related to the promotion of academic learning combined with interactions between University students and the world of work.	achieved eighty percent (80%) of their outcome targets related to the promotion of academic learning combined with interactions between University students and the world of work.
Allocated Amount(s) & Source of Funding	USD 4,000,000 scalable as follows: IBRD: USD 3,000,000 upon achievement of target, and USD 500,000 per additional Faculty thereafter up to a maximum of two additional Faculties.	IBRD: USD 4,000,000	USD 5,000,000 scalable as follows: IBRD: USD 4,000,000 upon achievement of target, and USD 500,000 per additional Faculty thereafter up to a maximum of two additional Faculties	IBRD: USD 5,000,000	IBRD: USD 6,000,000
4. Department-level systems for enriching learning, teaching and assessment through competitive grants developed and outcomes achieved for arts, management and science degree programs	MHEH has awarded the first round of competitive ELTA-ELSE Grants to at least twelve (12) Departments.	At least twelve (12) Departments awarded ELTA-ELSE Grants under the first round have achieved fifty percent (50%) of their outcome targets related to the promotion of academic learning combined with interactions between University students and the world of work.	MHEH has awarded the second round of competitive ELTA-ELSE Grants to at least twelve (12) Departments.	At least twelve (12) Departments awarded ELTA-ELSE Grants under the second round have achieved fifty percent (50%) of their outcome targets related to the promotion of academic learning combined with interactions between University students and the world of work.	At least twenty four (24) Departments awarded ELTA-ELSE Grants have achieved eighty percent (80%) of their outcome targets related to the promotion of academic learning combined with interactions between University students and the world of work.

<i>Allocated Amount(s) & Source of Funding</i>	IDA: SDR 1,500,000	IDA: SDR 1,500,000	IDA: SDR 1,500,000	IDA: SDR 1,500,000	IDA: SDR 2,150,000
5. Ph.D. and Master's degrees and professional doctorates completed by University, Non-State HEIs and SLIATE academic staff			At least 200 academics awarded MHEH/UGC's Scholarships are pursuing postgraduate degree programs for the attainment of Ph.D., Masters degrees or professional doctorates.	At least 100 academics awarded MHEH/UGC's Scholarships have made satisfactory progress in their Ph.D. or professional doctorates programs and/or have completed their Masters degrees.	At least 200 academics awarded MHEH/UGC's Scholarship have completed their attained degrees or professional doctorates.
<i>Allocated Amount(s) & Source of Funding</i>			IBRD: USD 4,000,000	IBRD: USD 4,000,000	IBRD: USD 4,000,000
6. University level systems for research and development and innovation and commercialization programs ("RDIC Program") developed and outcomes achieved.	MHEH has awarded at least twenty four (24) DOR Grants, RIC Grants or ICE Grants under the first round of call for proposals for the RDIC Program	At least twenty four (24) DOR Grants, RIC Grants or ICE Grants under the first round of call for proposals for the RDIC Program have achieved fifty percent (50%) of their outcome targets.	MHEH has awarded at least twenty four (24) DOR Grants, RIC Grants or ICE Grants under the second round of call for proposals for the RDIC Program	At least twenty four (24) DOR Grants, RIC Grants or ICE Grants under the second round of call for proposals for the RDIC Program have achieved fifty percent (50%) of their outcome targets.	At least forty eight (48) DOR Grants, RIC Grants or ICE Grants under the first and second rounds of calls for proposals for the RDIC Program have achieved eighty percent (80%) of their outcome targets.
<i>Allocated Amounts & Source of Funding</i>	USD3,000,000 scalable as follows: IBRD: USD2,000,000 upon achievement of target, and USD 200,000 per additional DOR Grant, RIC Grant or ICE Grant awarded up to a	IBRD: USD 3,000,000	USD3,000,000 scalable as follows: IBRD: USD 2,000,000 upon achievement of target, and USD 200,000 per additional DOR Grant, RIC Grant or ICE Grant awarded up to a	IBRD: USD 3,000,000	IBRD: USD 4,000,000

	maximum of five (5) additional grants		maximum of five (5) additional grants	
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SCHEDULE 4

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 May 15 and November 15 Beginning May 15, 2027 through May 15, 2041	3.33%
On November 15, 2041	3.43%

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.
 - (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 (2) calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of

withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, 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

Section I. Definitions

1. "Allocated Amounts" means the amounts in United States dollars or Special Drawing Rights ("SDR") (as the case may be), allocated to each individual DLR, or determined for each DLR pursuant to the formula detailed, in Schedule 3 to this Agreement, as such amount might be increased, reallocated and/or cancelled (whether partially or in its entirety) by the Bank, from time to time, as the case may be, in accordance with provision of Section V.B.3 of Schedule 2 to this Agreement.
2. "ATI" means any of the advanced technological institute operating under the direction/aegis of SLIATE, established pursuant to the Borrower's Parliament Act 29, of 1995.
3. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
4. "Credit" means the credit in the amount of twenty four million four hundred thousand Special Drawing Rights (SDR 24,400,000) extended to the Borrower by the International Development Association for the co-financing of this Operation pursuant to the terms and conditions set forth in the Financing Agreement.
5. "Consultant's Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
6. "Department" means an administrative subdivision of a Faculty.
7. "DER" means the Department of External Resources of the Borrower's Ministry of National Policy and Economic Affairs, or any successor thereto.
8. "Disbursement Linked Indicator" or "DLI" means each of the disbursement linked indicators listed in the first column of the table set forth in Schedule 3 to this agreement.
9. "Disbursement Linked Result" or "DLR" means each of the disbursement linked targets/results set forth in Schedule 3 to this Agreement in the columns entitled "Results to be Achieved in FY2018 (Year 1);" "Results to be Achieved in FY2019 (Year 2);" "Results to be Achieved in FY2020 (Year 3);" "Results to be Achieved in FY2021 (Year 4)" and "Results to be Achieved in FY2022 (Year 5)," as applicable, on the basis of the achievement of which, the amount of the Loan and/or the Credit allocated to said result may be withdrawn in accordance with the provisions of Section V in Schedule 2 to this Agreement.
10. "DNB" means the Department of National Budget of the Borrower's Ministry of Finance, or any successor thereto.
11. "DNP" means the Department of National Planning of the Borrower's Ministry of National Policy and Economic Affairs, or any successor thereto.

12. "DOR Grants" means the development oriented research grants to be provided on a competitive basis by MHEH to Universities and Non-Sate HEIs in the amounts and under the terms and conditions set forth in the Operations Manual.
13. "DOR Proposal" means any proposal prepared and submitted by a University or a Non-State HEIs pursuant to Section I.J of Schedule 2 to this Agreement, for purposes of receiving a DOR Grant.
14. "DPMM" means the Department of Project Management and Monitoring of the Borrower's Ministry of National Policy and Economic Affairs.
15. "ELTA-ELSE Grants" means the enriching learning, teaching and assessment, and English language skills enhancement grants to be provide on a competitive basis by MHEH to Faculties, Departments, Universities and/or units/institutes thereof, in order to support: (i) innovative approaches to the combined development of academic excellence and socio-emotional skills of University students; and (ii) enhance the English proficiency of University students; which grants shall be in the amounts and under the terms and conditions set forth in the Operations Manual.
16. "ELTA-ELSE Proposal" means any proposal prepared and submitted by a Faculty, Department and/or a University, or by a unit/institute thereof, pursuant to Section I.H of Schedule 2 to this Agreement, for purposes of receiving an ELTA-ELSE Grant.
17. "ESSA" means the Environmental and Social Systems Assessment, dated February 2, 2017, and applicable to the Program setting forth the description of the Program's activities, assessing the Borrower's (i.e. MHEH's, UGC's, SLIATE/ATIs' and the Universities') environmental and social management systems, detailing the Program's environmental and social benefits, risks and impacts, and recommending remedial measures to strengthen the social and environmental systems performance.
18. "External Degree Programs" means, collectively, the University programs conferring degrees on students who have not physically attended classes at the University, but have passed qualifying examinations.
19. "Faculty" means each of the administrative branches of a University, comprised of several Departments, and specialized in the teaching/learning of a particular subject or group of subjects.
20. "Financing Agreement" means the agreement between the Borrower and the International Development Association for the Program, of the same date as this Agreement, as such agreement may be amended from time to time. "Financing Agreement" includes all appendices, schedules and agreements supplemental to the Financing Agreement.
21. "Fiscal Year" or "FY" means the Borrower's fiscal year, commencing on January 1 or each calendar year and concluding on December 31 of the same calendar year.
22. "General Conditions" means:

- (a) for the Project: the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix; and
 - (b) for the Program: the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Sections II and III of this Appendix
- 23. “HEI” means a higher education institution; and the terms “HEIs” means collectively State HEIs and Non-State HEIs
- 24. “HEMS” means, collectively, the subjects related to humanities, education, management and social sciences.
- 25. “HETC Project” means the Borrower’s “Higher Education for the Twenty First Century Project”, financed by the International Development Association pursuant to the Credit No. 4686-LK, dated August 26, 2010.
- 26. “Higher Education Sector Development Strategy” and the acronym “HEDS” mean the Borrower’s strategy for the higher education sector, adopted by MHEH on December 15, 2016.
- 27. “IBRD” means the International Bank for Reconstruction and Development.
- 28. “ICE Grants” means the innovation commercialization enhancement grants to be provided on a competitive basis by MHEH to Universities, in the amounts and under the terms and conditions set forth in the Operations Manual.
- 29. “ICE Proposal” means any proposal prepared and submitted by a University pursuant to Section I.J of Schedule 2 to this Agreement, for purposes of receiving an ICE Grant.
- 30. “IDA” means the International Development Association.
- 31. “Incremental Operating Costs” means the incremental expenditures for the reasonable costs of salaries, benefits and allowances of contractual staff, including OMST and/or OTS staff (other than consultants), per diems and conveyance/accommodation, office rental, office supplies, utilities, consumables, travel and boarding/lodging allowances, operation and maintenance of office equipment and vehicles, advertising expenses and bank charges, insurance, media broadcastings, newspaper subscriptions, periodicals, and printing and stationery costs incurred by the Borrower in connection with the management, coordination and implementation of Operation’s activities, which expenditures would not have been incurred absent the Operation, but excluding salaries and salary top-ups of the Borrower’s civil servants.
- 32. “IUFRs” means the interim unaudited financial reports referred to in Section III.D of Schedule 2 to this Agreement.
- 33. “MHEH” means the Borrower’s Ministry of Higher Education and Highways, or any successor thereto acceptable to the Bank.

34. "Non-State HEIs" means privately owned/operated higher education institutions accredited with MHEH/UGC.
35. "OMST" means the operations and monitoring support team to be established pursuant to Section I.A.(b) of Schedule 2 to this Agreement.
36. "Operation" means collectively, the activities described under Part I (the Program) and Part II (the Project) of the Schedule 1 to this Agreement.
37. "Operations Manual" means the manual prepared by MHEH and adopted on March 28, 2017 for purposes of carrying out the Operation, providing, *inter alia*: (i) the definition of the contours of the Program and Project activities, including results framework, overall budget and list of Program Expenditures and Eligible Expenditures; (ii) the Program implementation arrangements, including the allocation of functions and responsibilities between the MHEH (OMST), UGC, SLIATE, ATIs, Universities (OTS) and Non-State Universities; (iii) the eligibility criteria and screening protocols and procedures for the call for proposals, assessment and competitive selection of ELTA-ELSE Proposals, DOR Proposals, RIC Proposals and ICE Proposal to be financed under the Program; (iv) the amounts and terms and conditions of the ELTA-ELSE Grants, DOR Grants, RIC Grants, ICE Grants, Scholarships and, eventually the Students Loans, and template agreements therefor; (v) the environmental, social, labor & safety, financial management and procurement standards to be followed by MHEH, UGC, SLIATE/ATIs and Universities in the implementation of their respective activities under the Operation; and (vi) the Operation's monitoring and evaluation, and reporting requirements, and pro-forma Progress Reports, as the same might be amended from time to time with the prior concurrence of the Bank.
38. "OTS" means each of the operations technical secretariats to be established pursuant to Section I.A.(c) of Schedule 2 to this Agreement.
39. "Priority Disciplines" means the STEM subjects.
40. "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 (revised July 2014).
41. "Procurement Plan" mean the Recipient's and the Participating States' procurement plans for the Project, dated March 28, 2017, 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.
42. "Program Action Plan" means the set of priority actions agreed by the Borrower and the Bank for the strengthening of MHEH's, UGC's, SLIATE/ATI's and Universities' sectoral and institutional frameworks (including the Program Fiduciary and Environmental and Social Systems), dated March 31, 2017, and referred to in Section I.F of Schedule 2 to this Agreements, as the same may be amended from time to time with the prior written concurrence of the Bank.

43. "Program Fiduciary and Environmental and Social Systems" means the Borrower's (i.e. MHEH's, UGC's, SLIATE/ATIs' and Universities') systems for the Program referred to in Section I.D of Schedule 2 to this Agreement.
44. "Results Area" means each of the Results Areas 1 through 3 of the Program (i.e. the activities contemplated in Part I of Schedule 1 to this Agreements).
45. "RIC Grants" means the research innovation and commercialization grants to be provided on a competitive basis by MHEH to Universities and Non-State HEIs, in the amounts and under the terms and conditions set forth in the Operations Manual.
46. "RIC Proposal" any proposal prepared and submitted by a University or a Non-State HEIs pursuant to Section I.J of Schedule 2 to this Agreement, for purposes of receiving a RIC Grant.
47. "RDIC Program" means the Borrower's research and development, innovation and commercialization program outlined in the Operations Manual for Universities and Non-State HEIs covering HEMS and STEM subjects through the provision of DOR Grants, RIC Grants and/or ICE Grants.
48. "Scholarship" means each of the scholarship (grant and/or loans) to be extended to:
(i) young academic staff of Universities or Non-State HEIs for the carrying out of postgraduate studies overseas, or with a significant overseas component (as defined in the Operations Manual); and/or (ii) academic staff at SLIATE/ATIs, for the carrying out of professionally oriented doctoral and/or masters programs, all in accordance with the eligibility criteria, selection procedures, amounts and terms and conditions set forth in the Operations Manual, pursuant to Section I.I of Schedule 2 to this Agreement.
49. "SCQAA" means the Standing Committee on Quality Assurance and Accreditation established by the UGC pursuant to Section 4(2) of the Borrower's Parliament Act No. 16, 1978 (Universities Act), or any successor thereto.
50. "SDR" means Special Drawing Rights.
51. "SLIATE" means the Sri Lanka Institute of Advanced Technological Education, a governmental institute operating under the aegis of MHEH, and established pursuant to Article 2 of the Borrower's Parliament Act No. 29 of 1995.
52. "Sri Lanka Qualification Framework" and the acronym "SLQF" mean the qualifications framework adopted by the UGC during its 925th meeting on September 17, 2015, which framework include a credit and qualification framework, codes of practice, subject benchmark statements, and external peer review activities for public and private higher education institutions, as the same may be amended, updated or supplemented, from time to time.
53. "State Higher Education Institutions" and the acronym "State HEIs" mean collectively the higher education institutions owned, operated and/or administered by the Borrower, including the Universities and SLIATE/ATIs.

54. "STEM" means, collectively, the subjects related to science, technology, engineering and mathematics in the higher education curricula.
55. "Students Loan" means a loans to be provided by MHEH to a beneficiary student attending a Non-State HEIs in the amounts, and under the terms and conditions, to be set forth in the Operations Manual, in accordance with the eligibility criteria and selection procedures to be prescribed in the Operations Manual, pursuant to Sections I.G and V.C.2(a) of Schedule 2 to this Agreement.
56. "Training and Workshops" means the training, study tours, conference and workshops conducted and/or attended by staff from MHEH, UGC, SLIATE/ATIs, Universities and/or Non-State HEIs, in the territory of the Borrower, or subject to the Bank's prior no objection, overseas, including the purchase and publication of materials, rental of facilities, course fees, and lodging, travel expenses and per diem for trainers and/or trainees.
57. "UGC" means the Borrower's University Grants Commission, established on December 22, 1978 pursuant to the Universities Act No. 16 of 1978.
58. "University" means any of the public Universities of the Borrower, operating under the aegis of the UGC.
59. "Year 1" means the first year of implementation of Program activities, expected to take place in Borrower's FY2018 in order to achieve the results shown in the second column of the table in Schedule 3 to this Agreement.
60. "Year 2" means the second year of implementation of Program activities, expected to take place in Borrower's FY2019 in order to achieve the results shown in the third column of the table in Schedule 3 to this Agreement.
61. "Year 3" means the third year of implementation of Program activities, expected to take place in Borrower's FY2020 in order to achieve the results shown in the fourth column of the table in Schedule 3 to this Agreement.
62. "Year 4" means the fourth year of implementation of Program activities, expected to take place in Borrower's FY2021 in order to achieve the results shown in the fifth column of the table in Schedule 3 to this Agreement.
63. "Year 5" means the fifth year of implementation of Program activities, expected to take place in Borrower's FY2022 in order to achieve the results shown in the sixth column of the table in Schedule 3 to this Agreement.

Section II Modifications to the General Conditions for purposes of Project and Program Implementation

The modifications of the General Conditions for the Project and Program are as follows:

1. Whenever used throughout the General Conditions, the term "Project Report" is modified to read "Progress Report."

2. Section 3.01. (*Front-end Fee*) is modified to read as follows:

“Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”

3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”

5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

“68. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, interest at the Default Interest Rate (if any), the Commitment Charge, any surcharge and any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.

Section III. Modifications to the General Conditions and Section II above for purposes of Program Implementation.

The modification to the General Conditions for the Program are as follows:

1. Wherever used throughout the General Conditions, the term “the Project” is modified to read “the Program”, the term “the Project Agreement” is modified to read “the Program

Agreement”, the term “Project Implementing Entity” is modified to read “the Program Implementing Entity,” and the term “Eligible Expenditures” is modified to read “Program Expenditures”.

2. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the amendments set forth below.
3. Section 2.02, *Special Commitment by the Bank*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
4. In Section 2.02 (originally numbered as Section 2.03), the heading “*Applications for Withdrawal or for Special Commitment*” is replaced with “*Applications for Withdrawal*”, and the phrase “or to request the Bank to enter into a Special Commitment” is deleted.
5. The section originally numbered as Section 2.04, *Designated Accounts* is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), *Eligible Expenditures* (renamed “Program Expenditures” in accordance with paragraph 1 of this Section II), is modified to read: “(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Loan in accordance with the provisions of the Legal Agreements;”.
7. The last sentence of Section 2.04 (originally numbered as Section 2.06), *Financing Taxes*, is modified to read: “To that end, if the Bank at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Bank may, by notice to the Borrower, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Loan, as required to ensure consistency with such policy of the Bank.”
8. Section 2.06 (originally numbered as Section 2.08), *Reallocation*, is modified to read:

“Notwithstanding any allocation of an amount of the Loan to a withdrawal category under the Loan Agreement, the Bank may, by notice to the Borrower, reallocate any other amount of the Loan to such category if the Bank reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.
9. Section 7.01, *Cancellation by the Borrower*, is modified to read: “The Borrower may, by notice to the Bank, cancel any amount of the Unwithdrawn Loan Balance.”
11. Paragraph (d) of Section 7.03, *Cancellation by the Bank*, entitled “*Misprocurement*”, is deleted, and subsequent paragraphs are relettered accordingly.
12. Section 7.04, *Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Bank*, is deleted in its entirety, and subsequent Sections in Article VII and references to such Sections are renumbered accordingly.
13. In the Appendix, **Definitions**, all references to Section numbers and paragraphs are modified, as necessary, to reflect the modifications set forth above.

14. Renumbered paragraph 88 (originally paragraph 87) of the Appendix, setting forth the definition of "Special Commitment" is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.

14. Renumbered paragraph 88 (originally paragraph 87) of the Appendix, setting forth the definition of "Special Commitment" is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.