



LOAN NUMBER 8194-CR

Loan Agreement

(Higher Education Improvement Project)

between

REPUBLIC OF COSTA RICA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *November 6*, 2012

LOAN AGREEMENT

Agreement dated November 6, 2012, between REPUBLIC OF COSTA RICA ("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 two hundred million Dollars (\$200,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
- 2.05. The Payment Dates are April 15 and October 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (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.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower, through MEP, shall, under the overall coordination of CONARE: (a) carry out Part II.3 of the Project, with the participation of CONARE; and (b) cause: (i) the Participating Universities (pursuant to the pertinent AMI) to carry out Part I of the Project; (ii) SINAES (pursuant to the SINAES Agreement) to carry out Part II.1 of the Project; and (iii) CONARE (pursuant to the CONARE Agreement) to carry out Part II.2 of the Project, all 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 Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The Participating Universities and/or CONARE and/or SINAES shall have failed to comply with any of its pertinent obligations under the AMIs and/or the CONARE Agreement, and/or the SINAES Agreement, respectively.
- (b) The CONARE Legislation, and/or the SINAES Legislation, and/or the ITCR Legislation, and/or the UCR Legislation, and/or the UNA Legislation, and/or the

UNED Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of CONARE, SINAES, and/or of any of the Participating Universities to perform any of its obligations under the CONARE Agreement, and/or the SINAES Agreement and/or the pertinent AMIs, respectively.

- (c) The CE Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of the CE to assist the Borrower in performing any of its obligations under this Agreement.

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

- (a) Any event specified in paragraph (a) of Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.
- (b) Any event specified in paragraphs (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 AMIs have been executed on behalf of the Borrower and each of the Participating Universities.
- (b) The CONARE Agreement has been executed on behalf of the Borrower and CONARE.
- (c) The SINAES Agreement has been executed on behalf of the Borrower and SINAES.

5.02. The Additional Legal Matters consist of the following, namely that the AMIs have been duly authorized or ratified by the Borrower and the respective Participating University, and are legally binding upon the Borrower and the respective Participating University in accordance with the terms of the respective AMI.

5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on March 27, 2014.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its Ministry of Finance.

6.02. The Borrower's Address is:

Ministerio de Hacienda
Calle 1 y 3 Avenida 2
Diagonal al Teatro Nacional

San José
Costa Rica

Facsimile:
(506) 2255-4874

6.03. The Bank's Address is:

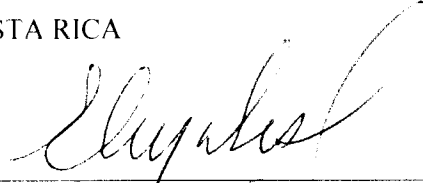
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

AGREED at San Jose, Costa Rica, as of the day and year first above written.

REPUBLIC OF COSTA RICA

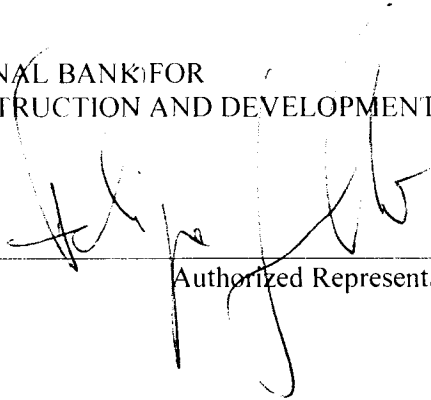
By



Authorized Representative

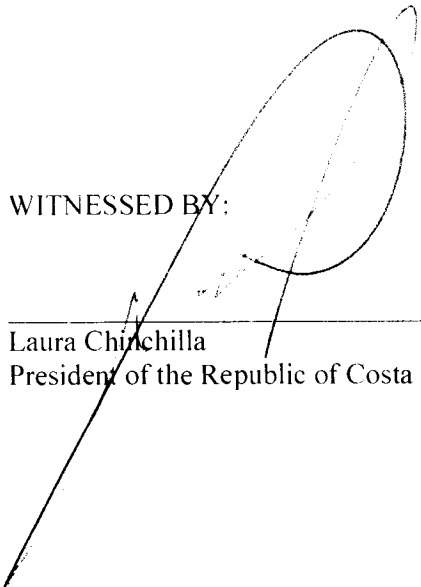
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

WITNESSED BY:



Laura Chinchilla
President of the Republic of Costa Rica

SCHEDULE 1

Project Description

The objectives of the Project are to improve access and quality, to increase investments in innovation and scientific and technological development, as well as to upgrade institutional management, all in the Borrower's public higher education system.

The Project consists of the following parts:

Part I: Institutional Improvement Agreements

Carrying out of PMIs by the corresponding Participating University, through the provision of Grants to finance activities under Subprojects, including those to: (1) expand infrastructure for teaching, learning and research; (2) upgrade faculty qualifications and foster evaluation and accreditation of academic programs; and (3) strengthen the existing culture of strategic long-term planning, and measurement, target setting, accountability, and monitoring and evaluation.

Part II: Strengthening Institutional Capacity for Quality Enhancement

1. Strengthening of SINAES, through the provision of support for the implementation of its Institutional Strategic Plan, including, *inter alia*: (i) the carrying out of an external evaluation and accreditation of academic programs and institutions; (ii) the provision of training to SINAES' staff on evaluation and accreditation processes; and (iii) the carrying out of an assessment of the current status of accreditation and quality of higher education institutions.
2. Strengthening and consolidation of CONARE's sector-wide information system, and strengthening of OPES' labor observatory.
3. Provision of support for Project coordination, monitoring and evaluation.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional and Other Arrangements.

1. For purposes of the carrying out of the Project, the Borrower, through MEP, shall, and shall cause the Participating Universities (pursuant to the pertinent AMI) to, operate and maintain, during the execution of the Project, the *Comisión de Enlace* ("CE"), according to the provisions set forth in the Operational Manual, with functions and responsibilities acceptable to the Bank, which shall include, *inter alia*, the approval of PMIs, including Subprojects, and AIPs.
2. The Borrower shall maintain, during the execution of the Project, a technical commission ("CTG"), according to the provisions set forth in the Operational Manual, and with functions and responsibilities acceptable to the Bank, which shall include, *inter alia*, providing technical advice to the Borrower during Project implementation.
3. The Borrower, through MEP, shall cause CONARE (pursuant to the CONARE Agreement) to create and maintain, during the execution of the Project, a Project coordinating unit ("UCP") with functions, staffing and responsibilities acceptable to the Bank, and as set forth in the Operational Manual, including a Project coordinator.
4. The Borrower, through MEP, shall cause each of the Participating Universities (pursuant to the pertinent AMI) to create and maintain, during the execution of the Project, an institutional Project coordinating unit ("UCPI") with functions, staffing and responsibilities acceptable to the Bank, and as set forth in the Operational Manual, including, but not limited to, a coordinator, a financial management specialist, a procurement specialist, a social specialist, and an environmental specialist.
5. For purposes of providing an external and impartial evaluation of the Project, no later than ten months after the Effective Date, the Borrower shall, and shall cause the Participating Universities (pursuant to the pertinent AMI), through the CE, to create and thereafter maintain during the execution of the Project, a monitoring and evaluation committee ("CSE, or *Comité de Seguimiento y Evaluación*") with functions and responsibilities acceptable to the Bank, and comprised of a group of experts, with qualifications and experience acceptable to the Bank, all as set forth in the Operational Manual.
6. Without limitation to the provisions of Section 5.08(b) of the General Conditions, the Borrower shall, and shall cause CONARE, through the UCP (pursuant to the CONARE Agreement) to: (a) not later than thirty six months after the Effective Date, or such later date that the Bank shall establish by notice to the Borrower, conduct a mid-term review with the Bank on the progress of the Project (the Mid-term Review), under terms of reference acceptable to the Bank; (b) immediately after the Mid-term Review, prepare and furnish to the Bank, under terms of reference satisfactory to the Bank, a mid-term

report on the progress achieved in the carrying out of the Project, covering the period between the Effective Date and the date of the Mid-term Review; (c) not later than ninety days, review with the Bank, the report referred to in (b) herein; and (d) thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of said report and the Bank's views on the matter, if any.

7. The Borrower, through MEP, shall enter into an agreement with CONARE ("CONARE Agreement"), under terms and conditions acceptable to the Bank and included in the Operational Manual, which shall include, *inter alia*: (a) the obligation of CONARE to: (i) ensure the coordination of the Project; (ii) create and maintain, during the execution of the Project, the UCP; (iii) provide, promptly as needed, the resources required for the carrying out of Part II.2 and Part II.3 of the Project (except with respect to the resources required for the operation and maintenance of the CTG); (iv) carry out Part II.2 of the Project; and (v) assist the Borrower in the carrying out of Part II.3 of the Project, in a manner acceptable to the Bank and in accordance with the pertinent provisions of this Agreement, the Operational Manual and the provisions of the Anti-Corruption Guidelines; and (b) the Borrower's rights to protect its interests and those of the Bank.
8. The Borrower, through MEP, shall exercise its rights and carry out its obligations under the CONARE Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive, terminate or fail to enforce the CONARE Agreement or any provisions thereof. In the event that any provision of the CONARE Agreement, shall conflict with this Agreement, the terms of this Agreement shall prevail.
9. For the purposes of the carrying out Part II.1 of the Project, the Borrower, through MEP, shall enter into an agreement with SINAES ("SINAES Agreement") under terms and conditions acceptable to the Bank and included in the Operational Manual, which shall include, *inter alia*: (a) the obligation of SINAES to: (i) carry out Part II.1 of the Project in a manner acceptable to the Bank, and in accordance with the pertinent provisions of this Agreement, the Operational Manual and the provisions of the Anti-Corruption Guidelines; and (ii) provide, promptly as needed, the resources required for the carrying out of Part II.1 of the Project; and (b) the Borrower's rights to protect its interests and those of the Bank.
10. The Borrower, through MEP, shall exercise its rights and carry out its obligations under the SINAES Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive, terminate or fail to enforce the SINAES Agreement or any provisions thereof. In the event that any provision of the SINAES Agreement, shall conflict with this Agreement, the terms of this Agreement shall prevail.

B. Project Operational Manual.

1. The Borrower, through MEP, shall, and shall cause SINAES, CONARE and the Participating Universities (pursuant to the SINAES Agreement, the CONARE Agreement and the pertinent AMI, respectively) to, carry out the pertinent parts and the Project under their responsibility (including the PMIs) in accordance with a manual (“Operational Manual”), satisfactory to the Bank, containing, *inter alia*: (a) the rules, methods, guidelines, standard documents and procedures for the carrying out of the relevant parts of the Project; (b) the detailed description of the institutional arrangements of the Project; (c) the Project administrative, accounting, auditing, reporting, financial, procurement and disbursement procedures; (d) the criteria, guidelines and procedures for the approval, implementation and monitoring of PMIs and AIPs, including specifications regarding eligible expenditures to be financed under the Subprojects and targets for measuring the progress on the objectives of the PMIs; (e) the terms and conditions for the provision of Grants; (f) the monitoring indicators for the Project; (g) the functions, staffing requirements, and responsibilities of the UCP; (h) the PMI Implementation Criteria; (i) the ESMF; and (j) the IPPF. In the event that any provision of the Operational Manual shall conflict with this Agreement, the terms of this Agreement shall prevail.

C. Anti-Corruption.

The Borrower, through MEP, shall, and shall cause the Participating Universities, CONARE and SINAES (pursuant to the pertinent AMI, the CONARE Agreement, the SINAES Agreement, respectively) to, ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Institutional Improvement Agreements (AMI).

1. Prior to the carrying out of Part I of the Project in respect of any given Participating University, the Borrower, through MEP, shall enter into an agreement (“AMI”) with said Participating University, under terms and conditions acceptable to the Bank and included in the Operational Manual.
2. The Borrower, through MEP, shall ensure that each AMI includes the terms and conditions set forth in the Operational Manual, including, *inter alia*: (1) the obligation of each Participating University to: (a) carry out the pertinent PMI, including Subprojects, and comply with its objectives and targets, all in a manner acceptable to the Bank and in accordance with the pertinent provisions of this Agreement, the provisions of the Anti-Corruption Guidelines, the ESMF, the IPPF and the relevant PMI Implementation Criteria; (b) provide, promptly as needed, the pertinent funds for the carrying out of said PMIs, including the counterpart funds for Subprojects; (c) ensure the operation of the CE throughout the implementation of the Project; (d) designate and maintain the necessary staff for the implementation of the PMI, including Subprojects, according to the provisions of the Operational Manual; (e) procure the goods, works, Non-consulting Services and consultants’ services to be financed by the pertinent Grant in accordance with the provisions of this Agreement; (f) maintain a financial management system and records in accordance with consistently applied accounting standards acceptable to the Bank; (g) at the Bank’s or the Borrower’s request, have the resulting financial statements

audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank; (h) enable the Borrower and the Bank to supervise the implementation of the PMI, including Subprojects, its operation and any relevant records and documents; (i) prepare and furnish AIPs for each year of PMI' implementation; and (j) prepare and implement the Multiannual Indigenous Peoples Plan; and (2) the Borrower's: (a) obligation to make available part of the proceeds of the Loan (on a grant basis) to the corresponding Participating University for the implementation of the PMI; and (b) rights to protect its interests and those of the Bank, including the right to suspend or terminate the right of the pertinent Participating University to use the proceeds of the Grant, upon the Participating University's failure to comply with the PMI Implementation Criteria set forth in the Operational Manual.

3. The Borrower, through MEP, shall exercise its rights and carry out its obligations under each AMI in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive, terminate or fail to enforce any AMI or any provisions thereof. In the event that any provision of the AMI, shall conflict with this Agreement, the terms of this Agreement shall prevail.

E. Safeguards.

1. The Borrower, through MEP, shall, and shall cause the Participating Universities (pursuant to the pertinent AMI) to: (a) carry out Part I of the Project in accordance with the ESMF which sets forth the necessary procedures/actions to be undertaken by the Borrower and/or the Participating Universities to avoid, minimize or mitigate any potential negative environmental impact under Part I of the Project; and (b) (i) prepare and furnish to the Bank any needed Environmental Management Plan acceptable to the Bank; and (ii) immediately thereafter, implement each Environmental Management Plan in accordance with its terms, and in a manner acceptable to the Bank.
2. The Borrower, through MEP, shall cause the Participating Universities (pursuant to the pertinent AMI) to: (a) carry out Part I of the Project in accordance with the IPPF setting forth procedures for preparation of the Multiannual Indigenous Peoples Plan, including the required measures for addressing the needs of the Indigenous Peoples, and providing guidelines and procedures for consultation with, and informed participation of, Indigenous Peoples, and such terms includes all schedules and annexes to the IPPF; (b) (i) no later than November 30, 2013, under the overall coordination of CONARE, through the UCP, prepare and furnish to the Bank an indigenous peoples plan, adopted by all the Participating Universities and acceptable to the Bank (Multiannual Indigenous Peoples Plan), which plan shall be consistent with the provisions of the IPPF; and (ii) immediately thereafter, implement the Multiannual Indigenous Peoples Plan in accordance with its terms, and in a manner acceptable to the Bank; and (c) ensure not to carry out any Subproject involving Indigenous Peoples, prior to the adoption of the Multiannual Indigenous Peoples Plan.
3. Without limitation to the provisions of paragraph 2 above, in the case that, after the Multiannual Indigenous Peoples Plan has been adopted, new Subprojects are approved or

amended in a manner that could affect Indigenous Peoples, the Borrower, through MEP, shall, and shall cause the Participating Universities (pursuant to the pertinent AMI) to, prior to the carrying out of any said Subproject: (a) amend the Multiannual Indigenous Peoples Plan, in accordance with the provisions of the IPPF, and in a manner acceptable to the Bank, to incorporate any additional required measure to address the needs of the Indigenous Peoples; and (b) immediately thereafter, implement the Multiannual Indigenous Peoples Plan, as amended, in accordance with its terms, and in a manner acceptable to the Bank.

4. The Borrower, through MEP, shall cause the Participating Universities (pursuant to the pertinent AMI) to ensure that any Project activity (including Subprojects) shall not involve any Resettlement.

F. Annual Investment Plan.

For the purposes of carrying out of the relevant PMIs, the Borrower shall cause the corresponding Participating Universities (pursuant to the pertinent AMI) to:

1. prepare, in accordance with guidelines detailed in the Operational Manual, and, starting the date one month after the Effective Date and thereafter by not later than November 30 of each year of Project implementation, submit to the Bank a consolidated annual investment plan (AIP) satisfactory to the Bank, which plan shall include, *inter alia*: (i) a detailed description of Subprojects' activities to be carried out during the year following the date of presentation of each such AIP; (ii) a detailed description of the activities under the Multiannual Indigenous Peoples Plan and under the EMF to be carried out during the year following the date of presentation of each such AIP; (iii) a timetable for the implementation of said activities; and (iv) a financial plan, including a budget plan (detailing the amount of counterpart funds to be provided in the relevant year); and
2. thereafter take all measures required to ensure the efficient completion and achievement of said AIP, based on the views of the Bank on said plan.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports.

1. The Borrower shall cause CONARE, through the PCU, and the Participating Universities (pursuant to the CONARE Agreement and the pertinent AMI, respectively) to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of Indicators acceptable to the Bank. Each Project Report shall cover the period of the calendar semester preceding the date of presentation of such Project Report, and shall be furnished to the Bank not later than sixty days after the end of the period covered by such report.
2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than three months after the Closing Date.

B. Financial Management, Financial Reports and Audits.

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

Section III. Procurement

A. General.

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

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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and Non-consulting Services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for

procurement of goods, works and Non-consulting Services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding; (c) Shopping; (d) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Bank; (e) Direct Contracting; (f) Force Account; (g) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank; and (h) Procurement under Public Private Partnership Arrangements in accordance with procedures which have been found acceptable to 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, 5.3, 5.4 and 5.5 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 IV. Withdrawal of Loan Proceeds

A. General.

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

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, Non-consulting Services, consultants' services, Scholarships and Training required under Subprojects for Participating Universities:		100%
(a) UCR	50,000,000	
(b) UNED	50,000,000	
(c) ITCR	50,000,000	
(d) UNA	50,000,000	
TOTAL AMOUNT	200,000,000	

I. For the purposes of this Section:

- (a) the term "Non-consulting Services" means services in which the physical aspects of the activity dominate, and which are bid and contracted on the basis of a measurable physical output, including communication services and reproductions.
- (b) the term "Training" means expenditures (other than those for consultants' services and Non-consultant Services) incurred by the Participating Universities to finance reasonable transportation costs and *per diem* of trainees and trainers (if applicable), accommodations, catering, rental of training facilities, training materials and equipment under the Project, as well as the costs of visiting professorships and other faculty and studying mobility programs, in connection with the preparation and implementation of one or more Subprojects; and
- (c) the term "Scholarships" means reasonable expenditures, acceptable to the Bank (as the same are determined in accordance with the provisions set forth in the Operational Manual), in respect of the cost of tuition, living allowance, insurance, books and learning materials, and/or transportation costs and *per diem* (as the case maybe), to be granted to the Participating University as part of any given Subproject.

B. Withdrawal Conditions; Withdrawal Period.

- I. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or
 - (b) for payments made prior to the date of this Agreement.

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2. The Closing Date is December 31, 2017.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each April 15 and October 15 Beginning October 15, 2017 through April 15, 2042	2%

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 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. "AMI" means *Acuerdo de Mejoramiento Institucional*, the institutional improvement agreement to be entered into between the Borrower, through MEP, and each of the Participating Universities, referred to in Section I.D.1 of Schedule 2 to this Agreement.
2. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.
3. "AIP" means any of the annual investment plans referred to in Section I.F of Schedule 2 to this Agreement.
4. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. "CE" means *Comisión de Enlace*, the Borrower's Liaison Commission, referred to in Section I.A.1 of Schedule 2 to this Agreement, comprised of representatives of each of the Participating Universities, the Borrower's Ministry of Finance, MEP, the Borrower's Ministry of Planning, and the Borrower's Ministry of Science and Technology, and established pursuant to the CE Legislation.
6. "CE Legislation" means the Borrower's Executive Decree No.4437, dated December 23, 1974 and published in the Official Gazette on January 11, 1975.
7. "CONARE" means *Consejo Nacional de Rectores*, the Borrower's national council of chancellors (rectores), created by the Coordination Agreement of the Borrower's Higher Education (*Convenio de Coordinación de la Educación Superior Universitaria Estatal en Costa Rica*), signed by UCR, UNED, ITCR and UNA, on December 4, 1974 and amended on April 20, 1982, which regulates, *inter alia*, the coordination of the Borrower's public universities that are part of CONARE.
8. "CONARE Agreement" means the agreement referred to in Section I.A.7 of Schedule 2 to this Agreement.
9. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
10. "CSE" means *Comité de Seguimiento y Evaluación*, the committee referred to in Section I.A.5 of Schedule 2 to this Agreement.
11. "CTG" means *Comisión Técnica del Gobierno*, the Borrower's technical commission referred to in Section I.A.2 of Schedule 2 of this Agreement.

12. "ESMF" means the environmental and social management framework acceptable to the Bank, dated July 24, 2012, and published on July 27, 2012, referred to in Section I.E.1 of Schedule 2 to this Agreement.
13. "Environmental Management Plan" means an environmental management plan, acceptable to the Bank, prepared in accordance with the ESMF for the purposes of carrying out the Project, as referred to in Section I.E.1 of Schedule 2 to this Agreement.
14. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012.
15. "Grant" means a grant made out of the proceeds of the Loan to each Participating University, to finance one or more Subprojects, subject to the specific terms and conditions set forth in the Operational Manual.
16. "Indicators" means the indicators, acceptable to the Bank, to be used in the monitoring and evaluation of the Project, as set forth in the Operational Manual.
17. "Indigenous Peoples" means, a social group of people with a distinct social and cultural identity that makes them vulnerable to being disadvantaged in the development process, including the presence in varying degrees of the following characteristics: (i) a close attachment to ancestral territories and to the natural resources in these areas; (ii) self-identification and identification by others as members of a distinct cultural group; (iii) an indigenous language, often different from the national language; (iv) presence of customary social and political institutions; and (v) primarily subsistence oriented production.
18. "IPPF" means the indigenous peoples planning framework, dated March 12, 2012, and published on March 12, 2012, acceptable to the Bank, as referred to in Section I.E.2 of Schedule 2 to this Agreement.
19. "ITCR" means *Instituto Tecnológico de Costa Rica*, the Borrower's Institute of Technology, established pursuant to the ITCR Legislation.
20. "ITCR Legislation" means the Borrower's Law No 4777, dated June 10, 1971, and published in the Official Gazette on June 15, 1971.
21. "MEP" means *Ministerio de Educación Pública*, the Borrower's Ministry of Public Education, or any other successor or successors thereto.
22. "Multiannual Indigenous Peoples Plan" means *Plan Quinquenal para Pueblos Indígenas*, the Participating Universities' plan referred to in Section I.E.2 (b)(i) of Schedule 2 of this Agreement, acceptable to the Bank.
23. "Operational Manual" means the manual referred to in Section I.B of Schedule 2 to this Agreement, as said manual may be updated and/or amended from time to time with the agreement of the Bank.

24. "OPES" means *Oficina de Planificación de la Educación Superior*, CONARE's Office for Higher Education Planning.
25. "Participating University" means each of the following four universities: ITCR, UCR, UNED, and UNA.
26. "Participating University Legislation" means any of the following legislations: ITCR Legislation, UCR Legislation, UNED Legislation, and UNA Legislation.
27. "PMI" means *Plan de Mejoramiento Institucional*, each of the Participating Universities's institutional improvement plan, which sets forth the Participating University's objectives, indicators, targets, and Subprojects.
28. "PMI Implementation Criteria" means the minimum implementation criteria for all PMIs, set forth in the Operational Manual.
29. "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.
30. "Procurement Plan" means each of the procurement plans prepared by pertinent Participating University for the Project, dated May 30, 2012 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.
31. "Resettlement" means. (i) the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (A) standard of living adversely affected; or (B) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (C) access to productive assets adversely affected, temporarily or permanently; or (D) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently; or (ii) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the displaced persons.
32. "SINAES" means *Sistema Nacional de Acreditación de la Educación Superior*, the Borrower's National System for Accreditation of Higher Education, created by SINAES Legislation.
33. "SINAES Agreement" means the agreement between the Borrower, through MEP, and SINAES as referred to in Section I.A.9 of Schedule 2 to this Agreement.
34. "SINAES Institutional Strategic Plan" means a set of activities targeted to consolidate SINAES, which includes, but is not limited to, training activities, increasing the membership of universities and the accreditation of university and non-university programs, research in the field of accreditation, and strengthening a culture of quality assurance.

35. "SINAES Legislation" means the Borrower's Agreement for the creation of the National Higher Education Accreditation System ("*Convenio para la Creación del Sistema Nacional para la Acreditación de la Educación Superior*") dated March 1993, the Borrower's Law No. 8256, dated May 2, 2002, and published in the Official Gazette on May 17, 2002, and the Borrower's Law No. 8798, dated April 16, 2010, and published in the Official Gazette on April 30 2010.
36. "Subproject" means a specific set of investments and/or activities to be implemented by the Participating Universities in accordance with terms and conditions specified in the pertinent AMIs and the Operational Manual, including, *inter alia*, those to: (1) expand infrastructure for teaching, learning and research; (2) upgrade faculty qualifications and foster evaluation and accreditation of academic programs; and (3) strengthen a culture of strategic long-term planning, and measurement, target setting, accountability, and monitoring and evaluation, all in the following areas: engineering, basic sciences (math, physics, chemistry, biology, geology), natural resources, food and agriculture, science, arts, education and health sciences, all of which met the criteria set forth in the Operational Manual.
37. "UCP" means the *Unidad Coordinadora de Proyecto*, the unit referred to in Section I.A.3 of Schedule 2 to this Agreement.
38. "UCPI" means the *Unidad Coordinadora de Proyecto Institucional*, the unit, within each of the Participating Universities, referred to in Section I.A.4 of Schedule 2 to this Agreement.
39. "UCR" means *Universidad de Costa Rica*, the Borrower's University, established pursuant to UCR Legislation.
40. "UCR Legislation" means the Borrower's Law No. 362, dated August 26, 1940, and published in the Official Gazette on August 29, 1940.
41. "UNA" means *Universidad Nacional*, the Borrower's National University, established pursuant to UNA Legislation.
42. "UNA Legislation" means the Borrower's Law No. 5182, dated February 15, 1973, and published in the Official Gazette on February 22, 1973.
43. "UNED" means *Universidad Estatal a Distancia*, the Borrower's National University for Distance Learning, established pursuant to UNED Legislation.
44. "UNED Legislation" means the Borrower's Law No. 6044, dated March 3, 1977, and published in the Official Gazette on March 12, 1977.