
LOAN NUMBER 2191-UZB(SF)

LOAN AGREEMENT
(Special Operations)

(Information and Communications Technology in Basic Education Project)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 9 NOVEMBER 2005

LAS:UZB 37698

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 9 November 2005 between REPUBLIC OF UZBEKISTAN (the "Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement; and

(B) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions hereinafter set forth.

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All provisions of the Special Operations Loan Regulations of ADB, dated 1 May 2004 (the "Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. The definitions set forth in the Loan Regulations are applicable to this Loan Agreement unless the context requires otherwise. In addition, the following terms have the following meanings:

- (a) "CLS" means cluster leader school;
- (b) "COM" means the Cabinet of Ministers of the Borrower;
- (c) "ESDP" means the Education Sector Development Program, financed by ADB;
- (d) "ICT" means information and communication technology;
- (e) "MOF" means the Ministry of Finance of the Borrower, or any successor thereto;
- (f) "MOPE" means the Ministry of Public Education of the Borrower, or any successor thereto;
- (g) "PIU" means the Project Implementation Unit as established pursuant to Section 5.01;

(h) "Project Executing Agency" means, for the purposes and within the meaning of the Loan Regulations, MOPE, which is responsible for the carrying out of the Project;

(i) "Project facilities" means the facilities and equipment to be provided under the Project;

(j) "Steering Committee" means the steering committee as referred to in paragraph 2 of Schedule 6 to this Loan Agreement;

(k) "RITTI" means the Regional In-Service Teacher Training Institute;

(l) "Soum" means the lawful currency of the Borrower; and

(m) "STDP" means Second Textbook Development Project financed by ADB.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to twenty million four hundred and eight thousand Special Drawing Rights (20,408,000 SDR).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of one percent (1%) per annum during the grace period, and one and one-half percent (1.5%) per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to payment of the first principal amount of the Loan on the payment date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 February and 15 August in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The goods and services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such goods and services and other items of expenditure shall be in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, all goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 and Schedule 5 to this Loan Agreement.

Section 3.04. Withdrawals from the Loan Account in respect of goods and services shall be made only on account of expenditures relating to:

- (a) goods which are produced in and supplied from and services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and
- (b) goods and services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2011 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 6 to this Loan Agreement.

Section 4.02. (a) The Borrower shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than six months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors'

opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest account and statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Borrower shall enable ADB, upon ADB's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Borrower pursuant to Section 4.02(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any relevant records and documents.

ARTICLE V

Effectiveness

Section 5.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the PIU shall have been established and staffed with a Project manager with experience and qualifications satisfactory to ADB.

Section 5.02. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Ministry of Finance
Mr. Saidakhmad Rakhimov
5, Mustaqillik square
Tashkent 700008
Republic of Uzbekistan

Facsimile Numbers:

(998-71) 144-5643
(998-71) 133-0925

For ADB

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Cable Address:

ASIANBANK
MANILA

Telex Numbers:

29066 ADB PH (RCA)
42205 ADB PM (ITT)
63587 ADB PN (ETPI)

Facsimile Numbers:

(632) 636-2444
(632) 636-2407

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

REPUBLIC OF UZBEKISTAN

By 

Authorized Representative
Saidakhmad Rakhimov
Minister of Finance

ASIAN DEVELOPMENT BANK

By 

HARUHIKO KURODA
President

SCHEDULE 1

Description of the Project

1. The objective of the Project is to improve the quality and relevance of, and equitable access to basic education for all students, including students in poor and remote areas. The Project will improve the learning outcomes through ICT use in priority subject areas in grades 5-9 in Project schools with a pro-poor focus.

2. The scope of the Project comprises four components:

Component A: Establishment of CLSs for ICT

This component will establish an operational national network of 860 school cluster, each led by a CLS for all schools in Uzbekistan through the provision of appropriate ICT facilities and connectivity to an operational network of 860 CLSs, including standard fat client networks (network-ready desktop PC) with essential peripherals, and a free-standing computer for each of the CLSs for school management/administration with a set of basic software.

Component B: Teacher and Staff Development for ICT

This component will build up the capacity of teacher and staff for improving teaching and learning through ICT use through the following seven activities:

- (i) train 220 trainers in RITTIs and 560 from LRCs with specially designed courses for (a) ICT development in basic education and (b) each priority subject area across the curriculum;
- (ii) train 1720 school network managers/ICT coordinators from CLSs in ICT skills in school network management;
- (iii) train 4300 subject teachers in CLS in the use of ICT in priority subjects;
- (iv) train 1720 school administrators in CLS in the use of ICT in school administration and in continuous professional development for teachers and performance management systems;
- (v) train 63200 teachers, technicians and administrators from non CLS schools in the use of ICT in priority subjects, in school administration and in continuous professional development for teachers and performance management systems, and 17800 schools network managers/ICT coordinators from non CLS schools in ICT skills in school network management;
- (vi) design and implement a new decentralized system for continuous professional development system; and
- (vii) improve the school management system.

Component C: Learning Material Development for ICT

This component will develop appropriate learning materials in Uzbek and other local LOIs for priority subjects and grades and will focus on developing local capacity for such purposes. This will require:

- (i) train 600 e-materials developers through RITTIs in licencing, localizing and translation techniques software in other language and in developing original e-materials;
- (ii) development of at least 25 titles e-materials for priority subjects in Uzbek and other LOI in the first year of implementation and 20 titles more in each of the following year of implementation, including generic software applications such as spreadsheets and databases, (b) web/intranet-based materials; (c) e-books; (d) and subject specific educational software;
- (iii) development of DVDs materials, other audio video materials, and other multimedia materials in the Uzbek and other LOI for the schools without direct intranet/internet access;
- (iv) award of grants to encourage competition and quality electronic and other learning and teaching material development;
- (v) develop and launch portal containing the e-materials developed; and
- (vi) develop a caching system for non CLSs schools.

Component D: Capacity Building and Management Support

This component will cover four areas:

- (i) strengthen financial planning through the development of annual financial plans and budgets, including adequate annual operational budgets to support effective ICT use in schools and the determination of realistic ICT replacement and operation and maintenance budgets for wider financial planning purposes;
- (ii) design and conduct research/pilot testing activities in (a) cost reduction and income generation opportunities; (b) decentralized and devolved school financing; (c) use of ICT for students with special education needs; (d) cost comparisons of thin and fat client technologies; and (e) alternative approaches to school connectivity particularly for schools in rural and remote areas with difficult access; a
- (iii) support activities to monitor and evaluate the Project; and
- (iv) support a public campaign.

Schedule 1

3. The Project will include the provision of consulting services as described in Schedule 5 and PIU administration costs.
4. The Project is expected to be completed by 31 December 2010.

SCHEDULE 2
Amortization Schedule
(Information and Communications Technology in Basic Education Project)

<u>Period</u>	<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in SDR) *
1	15 February 2014	425,167
2	15 August 2014	425,167
3	15 February 2015	425,167
4	15 August 2015	425,167
5	15 February 2016	425,167
6	15 August 2016	425,167
7	15 February 2017	425,167
8	15 August 2017	425,167
9	15 February 2018	425,167
10	15 August 2018	425,167
11	15 February 2019	425,167
12	15 August 2019	425,167
13	15 February 2020	425,167
14	15 August 2020	425,167
15	15 February 2021	425,167
16	15 August 2021	425,167
17	15 February 2022	425,167
18	15 August 2022	425,167
19	15 February 2023	425,167
20	15 August 2023	425,167
21	15 February 2024	425,167
22	15 August 2024	425,167
23	15 February 2025	425,167
24	15 August 2025	425,167
25	15 February 2026	425,167
26	15 August 2026	425,167
27	15 February 2027	425,167
28	15 August 2027	425,167
29	15 February 2028	425,167
30	15 August 2028	425,167
31	15 February 2029	425,167
32	15 August 2029	425,167
33	15 February 2030	425,167
34	15 August 2030	425,167
35	15 February 2031	425,167
36	15 August 2031	425,167

<u>Period</u>	<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in SDR) *
37	15 February 2032	425,167
38	15 August 2032	425,167
39	15 February 2033	425,167
40	15 August 2033	425,167
41	15 February 2034	425,167
42	15 August 2034	425,167
43	15 February 2035	425,167
44	15 August 2035	425,167
45	15 February 2036	425,167
46	15 August 2036	425,167
47	15 February 2037	425,167
48	15 August 2037	425,151
		20,408,000

* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 3
Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of goods, services and other items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

Taxes

2. No withdrawals from the Loan Account shall be made in respect of any local taxes.

Percentages of Bank Financing

3. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table and subject to paragraph 5 of this Schedule;

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Imprest Account; Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at a commercial bank satisfactory to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and ADB. The initial amount to be deposited into the imprest account shall not exceed the equivalent of \$150,000.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of \$20,000.

Retroactive Financing

6. Withdrawals from the Loan Account may be made for reimbursement of reasonable expenditures incurred under the Project before the Loan Effectiveness, but not earlier than 30 June 2005, in connection with the PIU operational expenditures, subject to a maximum amount equivalent to 68,023 SDR.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Information and Communications Technology in Basic Education Project)					
CATEGORY				ADB FINANCING	
Number	Item	Amount Allocated (SDR)		Percentage	Basic for Withdrawal from Loan Proceeds
		Category	Subcategory		
1	Equipment, vehicles and furniture	13,261,000			
1A	Equipment		12,129,000	100	Percent of total expenditure
1B	Vehicles		8,000	100	percent of total expenditure*
1C	Furniture		1,124,000	100	percent of total expenditure*
2	Staff Development and Training	341,000			
2A	External Training		116,000	100	percent of total expenditure
2B	In-country Training		225,000	12	percent of total expenditure*
3	Consulting Services	1,289,000			
3A	International		1,072,000	100	percent of total expenditure
3B	Domestic		217,000	100	percent of total expenditure*
4	Learning Materials	1,021,000		100	percent of total expenditure
5	Pilot Projects	989,000		100	percent of total expenditure*
6	Publicity Campaign	27,000		100	percent of total expenditure*
7	Project Management	1,926,000		32	percent of total expenditure*
8	Unallocated	1,554,000			
9	Total	20,408,000			

*Exclusive of local taxes

SCHEDULE 4**Procurement**

1. Except as ADB may otherwise agree, the procedures referred to in the following paragraphs of this Schedule shall apply in the procurement of goods to be financed out of the proceeds of the Loan. In this Schedule and the Attachment hereto, the term "goods" includes equipment and materials.

2. Procurement of goods shall be subject to the provisions of the "Guidelines for Procurement under Asian Development Bank Loans" dated February 1999 (hereinafter called the Guidelines for Procurement), as amended from time to time, which have been furnished to the Borrower and MOPE.

3. Procurement of goods shall be made without any restriction against, or preference for, any particular supplier or contractor or any particular class of suppliers or contractors, except as otherwise provided in paragraph 6.

International Competitive Bidding

4. (a) Each supply contract for equipment or materials estimated to cost the equivalent of more than \$1,000,000 shall be awarded on the basis of international competitive bidding as described in Chapter II of the Guidelines for Procurement.

(b) For contracts to be awarded on the basis of international competitive bidding, there shall be submitted to ADB, as soon as possible, and in any event not later than 90 days before the issuance of the first invitation to bid for the Project, a General Procurement Notice (which ADB will arrange to publish separately) in such form and detail and containing such information as ADB shall reasonably request. ADB shall be provided the necessary information to update such General Procurement Notice annually as long as any goods remain to be procured on the basis of international competitive bidding.

(c) For contracts to be awarded on the basis of international competitive bidding, procurement actions shall be subject to review by ADB in accordance with the procedures set forth in Chapter IV of the Guidelines for Procurement. Each draft invitation to bid, to be submitted to ADB for approval under such procedures, shall reach ADB at least 21 days before it is issued and shall contain such information as ADB shall reasonably request to enable ADB to arrange for the separate publication of such invitation.

International Shopping

5. (a) Each supply contract for equipment or materials estimated to cost the equivalent of \$1,000,000 or less (other than minor items) shall be awarded on the basis of international shopping as described in Chapter III of the Guidelines for Procurement.

(b) Each draft invitation to bid and related bid document shall be submitted to ADB for approval before they are issued.

(c) Notwithstanding paragraph 3.03(b) of the Guidelines for Procurement, any award of contract shall be subject to prior Bank approval.

6. In comparing bids under international competitive bidding, a margin of preference may be provided, at the option of the Borrower and in accordance with the provisions of the Attachment to this Schedule, for goods manufactured in the territory of the Borrower, provided that the bidder offering such goods shall have established to the satisfaction of the Borrower and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods.

Local Procurement

7. Furniture and development software and e-materials valued at less than \$500,000 per contract may be awarded on the basis of local competitive bidding among contractors in accordance with the standard procurement procedures of the Borrower and acceptable to ADB.

(a) For the first contract to be awarded on the basis of local competitive bidding, the first draft English language version of the bidding documents, as well as selection and engagement of contractors shall be subject to the approval of ADB. As soon as the bids received have been evaluated, the proposal for award of contract shall be submitted to ADB for approval. For this purpose, ADB shall be furnished with three copies of (i) an account of the public opening of bids; (ii) a summary and evaluation of the bids; (iii) the proposal for award; and (iv) a draft contract or a draft letter of acceptance. Promptly after each contract is awarded, ADB shall be furnished with three copies of the contract as executed.

(b) For the subsequent contracts, bid evaluation and award of contracts shall be subject to post review by ADB.

Direct procurement

8. Equipment estimated to cost, in the aggregate, the equivalent of less than \$100,000, may be procured directly from the manufacturers of the original equipment or their agents. Prior to such procurement, a list of individual items to be procured, an estimate of their costs, an indication of potential sources of supply and any related documents shall be submitted to ADB for approval. After award, three copies of each contract for such items shall be furnished to ADB.

Industrial and Intellectual Property Rights

9. (a) The Borrower shall ensure that all ADB-financed goods and services procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall ensure that all ADB-financed contracts for the procurement of goods and services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

Preference for Domestically Manufactured Goods

1. In the procurement of goods through international competitive bidding, goods manufactured in the territory of the Borrower may be granted a margin of preference in accordance with the following provisions, provided that the bidder shall have established to the satisfaction of the Borrower and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods. The 20 percent domestic value added applies to the total ex-factory bid price of the goods and not only to one item in a list.

- (a) For application of domestic preference, all responsive bids shall first be classified into the following three categories:

Category I -- bids offering goods manufactured in the territory of the Borrower which meet the minimum domestic value added requirement;

Category II -- bids offering other goods manufactured in the territory of the Borrower; and

Category III -- bids offering imported goods.

- (b) The lowest evaluated bid of each category shall then be determined by comparing all evaluated bids in each category among themselves, without taking into account customs duties and other import taxes levied in connection with the importation, and sales and similar taxes levied in connection with the sale or delivery, pursuant to the bids, of the goods.
- (c) Such lowest evaluated bids shall next be compared with each other and if, as a result of this comparison, a bid from Category I or Category II is found to be the lowest, it shall be selected for the award of contract.
- (d) If, however, as a result of the comparison under subparagraph (c) above, the lowest bid is found to be from Category III, it shall be further compared with the lowest evaluated bid from Category I. For the purpose of this further comparison only, an upward adjustment shall be made to the lowest evaluated bid price of Category III by adding either
- (i) the amount of customs duties and other import taxes which a nonexempt importer would have to pay for the importation of the goods offered in such Category III bid; or
- (ii) 15 percent of the CIF bid price of such goods if the customs duties and import taxes referred to above exceed 15 percent of the CIF bid price.

If, after such further comparison, the Category I bid is determined to be the lowest, it shall be selected for the award of contract; if not, the lowest evaluated bid from Category III shall be selected for the award.

2. (a) Bidders applying for the preference shall provide evidence necessary to establish the eligibility of a bid for the preference, including the minimum domestic value added.

(b) The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of a bid for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above.

Domestic Preference for Turnkey Contracts and
Supply-and-Installation Contracts

3. In single-responsibility turnkey (including design-build) contracts and supply-and-installation contracts for large and complex packages, procured through international competitive bidding and in which discrete items of goods are grouped into one contract package and where the CIF cost of goods to be used for or in the permanent works under such contracts is estimated, prior to bidding, to equal or exceed 60 percent of the total cost of such works, a margin of preference shall be applied to the domestically manufactured goods in accordance with the following provisions, provided that the bidder shall have established to the satisfaction of the Borrower and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods. The 20 percent domestic value added applies to the total ex-factory bid price of the goods and not only to one item in a list.

- (a) The margin of preference shall not be applied to the whole package but only to the domestically manufactured goods within the package.
- (b) Goods offered from outside the territory of the Borrower shall be quoted CIF and goods offered domestically shall be offered ex-factory or ex-works (free of sales and similar taxes).
- (c) All other cost components, such as design as well as works installation and supervision, shall be quoted separately.
- (d) In the comparison of bids (which should not be classified into Categories I, II or III as with the domestic preference for goods), only the CIF price in each bid of the goods offered from outside the territory of the Borrower shall be increased by the applicable duty and other taxes payable by a nonexempt importer or by 15 percent, whichever is less.
- (e) If duties vary from item to item within a package, the appropriate tariff for each item shall apply.
- (f) No margin of preference shall be applied to any associated services or works included in the package.
- (g) Bidders will not be permitted or required to modify the mix of domestic and foreign goods after bid opening.

4. (a) Bidders applying for the preference shall provide evidence necessary to establish the eligibility of a bid for the preference.

(b) The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of a bid for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above.

SCHEDULE 5**Consultants**

1. The services of domestic and international consultants shall be utilized in the carrying out of the Project, particularly with regard to:

- (a) ICT in basic education;
- (b) Training in ICT use in priority subjects, in school administration and in continuous professional development for teachers and performance management systems, and in ICT skills in school network management;
- (c) Developing software and e-materials;
- (d) Training in software and e-materials development;
- (e) School networking;
- (f) Online support;
- (g) Design, implementation, and evaluation of pilot projects, including in income generation opportunities, decentralized schools financing, use of ICT for students with special education needs, cost comparisons of thin and fat client technologies, alternative approach of school connectivity;
- (h) Education budgeting and financial planning;
- (i) Project management, monitoring and evaluation; and
- (j) Gender Specialist.

The terms of reference of the domestic and international consultants shall be as determined by agreement between ADB and MOPE.

2. The selection, engagement and services of the consultants shall be subject to the provisions of this Schedule and the provisions of the "Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers" dated January 2005 (hereinafter called the Guidelines on the Use of Consultants), as amended from time to time, which have been furnished to MOPE.

3. The consultants for the services referred in paragraph (a) to (j) above (other than the domestic consultant required for PIU as set forth in paragraph 5 below shall be selected and engaged as a firm by MOPE using the quality-and-cost-based selection (QCBS) method in accordance with the following procedures.

(a) Invitation for technical and financial proposals. The invitation to submit technical and financial proposals (hereinafter called the Request for Proposals or RFP) and all related documents shall be approved by ADB before they are issued. For this purpose, three copies of the draft RFP, the names of consultants to be short-listed, the proposed criteria for evaluation of both proposals, a draft consultancy contract, and other related documents shall be submitted to ADB. A period of at least 35 days shall be allowed for submission of both proposals. A copy of the final RFP as issued, together with all related documents, shall be furnished to ADB for information promptly after issuance. The validity period for the technical and financial proposals as provided in the RFP shall usually not exceed three months from the date specified for submission of the technical and financial proposals. The approval of ADB shall be obtained for any request to extend such validity period. Except as ADB may otherwise agree, the validity period, including any extensions, shall not exceed a maximum total period of six months. If the contract is not signed within the validity period in accordance with the Guidelines on the Use of Consultants, the selection shall be invalid and the selection and engagement process as provided in this paragraph shall be followed again.

(b) Evaluation and scoring of technical proposals. Immediately after the technical proposals have been evaluated and scored, approval of ADB shall be obtained to the evaluation and scoring of the technical proposals. For this purpose, ADB shall be furnished with three copies of the technical proposals.

(c) Public opening of financial proposals. The financial proposals of the firms whose technical proposals meet the minimum qualifying technical score shall be opened publicly after adequate notice is given to such firms or their representatives to attend the opening of the financial proposals.

(d) Evaluation and scoring of financial proposals and ranking of technical and financial proposals. After the financial proposals have been evaluated and scored, the ranking of the technical and financial proposals shall be made. Before negotiations are started with the first-ranked consultants, approval of ADB shall be obtained to the evaluation and scoring of the financial proposals and the ranking of the technical and financial proposals. For this purpose, ADB shall be provided with three copies of (i) the evaluation and scoring of the financial proposals and (ii) the ranking of the technical and financial proposals.

(e) Execution of contract. After the conclusion of negotiations but before the signing of the contract, ADB shall be furnished with the contract as negotiated for approval. Promptly after the contract is signed, ADB shall be furnished with three copies of the signed contract. If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval.

4. The Borrower has requested that the internationally-recruited consultants to be selected pursuant to the provisions of paragraph 3 of this Schedule collaborate with domestic consultants. ADB has agreed to the request and for this purpose, the specific arrangements relating to the collaboration shall be included in the proposals to be submitted to ADB pursuant to the provisions of paragraph 3 of this Schedule.

5. The domestic consultants for the PIU shall be selected and engaged in accordance with procedures acceptable to ADB, and the selection and engagement of the domestic consultants shall be subject to the approval of ADB with regard to their competence and experience for carrying out the assignment. As soon as the proposals received have been evaluated but before negotiations are started with the consultants selected for negotiations, ADB shall be furnished with three copies of (i) a list of consultants invited; (ii) an evaluation of the proposals (together with one set of the first-ranked proposal); and (iii) justification for the selection. After the conclusion of negotiations but before the signing of the contract, the contract as negotiated shall be furnished to ADB for approval. Promptly after the contract is signed, ADB shall be furnished with three copies of the signed contract. If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval.

6. The Borrower shall ensure that all Bank-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

SCHEDULE 6

Execution of Project; Financial Matters

Implementation Arrangements

1. MOPE will be the Project Executing Agency.
2. In order to maximize Project efficiency, the existing steering committee for each of the STDP and ESDP shall be integrated into a single common Steering Committee. The Steering Committee shall be comprised of members from the existing steering committees for the STDP and ESDP (COM, MOPE, MOF) as well as other relevant parties as required to meet the specific needs of the Project. The Steering Committee will be the decision-making body responsible for overall project implementation and coordination. .
3. The project director shall be appointed by PSC and shall provide general guidance to the PIU in accordance with decisions made by PSC, arrange the quarterly meetings of PSC, present quarterly reports to PSC, and ensure coordination of project implementation within MOPE. To augment the Borrower's project management rationalization efforts, consideration shall be given to appointing the existing project director for STDP and ESDP as project director for the Project.
4. The PIU shall be responsible for day-to-day management of the Project including procurement and recruitment, staff development, finance and accounting, and monitoring and evaluation. The PIU shall prepare detailed project implementation plans and annual reports and quarterly progress reports to submit to the PSC, the project director, and ADB. The PIU will have 6-8 full-time staff who have expertise in these areas. MOPE will appoint a Project Manager, who will be responsible for day-to-day coordination of project activities. The PIU will be established in the same premises as the project implementation unit for each of STDP and ESDP, and will coordinate closely with them across PIU functions, including sharing of staff where feasible. Efforts will be made to further harmonize Project management.

Counterpart Funding

5. The Borrower shall allocate annually in a timely manner adequate funding in the budget for the counterpart funding specified by the Project, and shall provide ADB with information on such allocations annually.

Financing for Sustainable ICT Use in All Schools

6. The Borrower shall make adequate annual budget allocations in the medium term budgetary framework, satisfactory to ADB, for ICT use in all schools to cover hardware investments, operation and maintenance costs including consumables, servicing, maintenance, electricity, the costs of equipment replacement, and the costs of in-service teacher training, through:
 - (i) adopting a regulation describing operational and strategic goals for all schools and budget allocations assigned to them;

Schedule 6

- (ii) establishing a quarterly reporting system showing the receipts and use of funds intended for ICT use by all schools;
- (iii) allocating in the medium term budgetary framework an amount satisfactory to ADB to cover the replacement costs of the equipment; and
- (iv) providing information on an annual basis to ADB on (i), (ii) and (iii) above before the State Budget is finalized.

Internet/Intranet Connectivity for Cluster Leader Schools (CLSs)

7. The Borrower shall provide (i) reliable connectivity to all CLSs; (ii) technical specifications related to connectivity before each contract package of ICT equipment financed by ADB is finalized; and (iii) adequate financing in a timely manner to cover the installation and operational costs of internet/intranet connectivity for all CLSs through adopting the same mechanism as indicated in (i), (ii) and (iii) of paragraph 6 of this Schedule.

Pricing Adjustment to Encourage Internet Connection

8. Within six months of Loan Effectiveness, the Borrower, through MOPE, shall actively engage in discussions with Uzbektelecom for the purpose of successfully reducing prices for internet connection for project schools.

Improving Incentives for Professional Development for Teachers in ICT Use

9. The Borrower, through MOPE, shall integrate teachers' professional development in ICT use into the improved incentive system for teachers. This incentive shall recognize and reward teachers who have received ICT training with certification. The Borrower, through MOPE, shall propose such incentive schemes by 31 December 2006 for piloting starting in 2007, and shall inform and update ADB on the progress of such piloting.

ICT Installation in All Schools

10. The Borrower, through MOPE, shall ensure that regional (oblast) and district (raion) staff rigorously apply the national guidelines for ICT installation prior to ICT installation to ensure that all schools are ready to receive ICT installations. Specifically, these guidelines specify that no school should be supplied with an ICT installation unless there is a suitable ICT classroom, with necessary security arrangements and reliable power supply, and at least one staff member with training in the management of hardware and the school network. The Government through MOPE shall semi-annually update ADB on progress of the Government program of ICT provision to schools.

Priority for Rehabilitation of CLSs

11. The Borrower shall ensure that school rehabilitation and the refurbishment of computer rooms, including the safe re-wiring of premises and the provision of adequate climate control (air-conditioning and dust-control measures) and security arrangements to CLSs are completed according to the minimum criteria agreed between the Borrower and ADB, and the Government's regulations, including COM resolution #321 of 9 June 2004. The Borrower shall ensure that the rehabilitation of the schools is carried out in a timely manner to ensure expeditious installation of ICT equipment in the CLSs.

Rehabilitation of CLSs

12. The Borrower shall ensure that rehabilitation of CLSs involves only minor civil works with no negative environmental impact. The Government shall ensure that the rehabilitation does not entail any land acquisition or resettlement.

Ensuring Power Supply to All Schools

13. The Borrower through MOPE, MOF and UZBEKENERGO shall, within six months of loan effectiveness, take appropriate measures, satisfactory to ADB to ensure reliable power supply to all CLSs. These measures will be treated as piloting for reliable power supply to all schools. The midterm review of the Project shall assess the piloting of CLSs. Based on the assessment, the Borrower shall, within six months after the midterm review, take effective measures satisfactory to ADB for establishing a system of reliable power supply for ICT use in all schools.

Extending School Opening Time

14. The Borrower, through MOPE, shall ensure through the issuance of an MOPE regulation that current school regulations are appropriately adjusted by December 2006 to allow extended school opening and operating time for computer rooms for ICT use.

Devolved Financing Experiments for CLSs

15. The Borrower shall undertake to pilot different methods of devolved funding to some CLSs to test decentralized resource management and shall inform ADB on this piloting.

Establishing Effective Monitoring and Evaluation

16. The Borrower shall ensure that a monitoring and evaluation system is established after the Effective Date, and be made fully operational within 3 months after the Effective Date, with baseline data established within 6 months after the Effective Date.

Ethnic Minorities

17. The Borrower shall ensure the development of learning materials in other local languages of instruction under the Project and shall provide students in other local languages of instruction with equal access to ICT facilities.