

Public Disclosure Authorized

**CONFORMED COPY**

**GRANT NUMBER H102-BD**

# **Development Grant Agreement**

**(Reaching Out-of-School Children Project)**

**between**

**PEOPLE'S REPUBLIC OF BANGLADESH**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated June 30, 2004**

Public Disclosure Authorized

**GRANT NUMBER H102-BD**

**DEVELOPMENT GRANT AGREEMENT**

AGREEMENT, dated June 30, 2004, between PEOPLE'S REPUBLIC OF BANGLADESH (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Association to assist in the financing of the Project;

(B) the Recipient intends to contract from the Swiss Agency for Development and Cooperation a grant in an amount equivalent to six million United States dollars (US\$6,000,000) to assist in financing the Project on the terms and conditions set forth in a grant agreement therefor; and

WHEREAS (C) the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW, THEREFORE, the parties hereto, hereby, agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Sections 3.02, 3.03, 3.04(a), 3.04(b), 3.05, 6.05 and Article VII, are deleted in their entirety.

(b) Wherever used in the General Conditions, the following terms are modified to read as follows:

- (i) The term "Borrower" is modified to read "Recipient".
- (ii) The term "Credit" is modified to read "Grant".

- (iii) The term “credit” is modified to read “grant”; except that where used in Sections 6.02(a)(ii) and 6.02(c)(i), as modified below, the term “credit” shall continue to read “credit”.
  - (iv) The term “Credit Account” is modified to read “Grant Account”.
  - (v) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.
- (c) Article IV is modified as follows:
- (i) Section 4.02(a) and the heading of Section 4.02 are modified to read as follows:  
  
“Section 4.02 Currencies in which Commitment Charges are Payable:  
  
(a) The Recipient shall pay the commitment charge on the Grant in the currency specified in the Development Grant Agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”
  - (ii) Wherever used in Section 4.02(c) and (e) of the General Conditions the words “principal and service charges” are modified to read “commitment charge”.
  - (iii) Section 4.03 and its heading are modified to read as follows:  
  
“Section 4.03 Amount of the Grant.  
  
The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”
- (d) Section 6.02 is modified as follows:
- (a) The phrase “any other development credit agreement” in Section 6.02(a)(ii) is modified to read: “any other development grant agreement or any development credit agreement or development financing agreement”.
  - (b) The phrase “any development credit agreement” in Section 6.02(c)(i) is modified to read: “any development grant agreement, development credit agreement or development financing agreement”.

(e) The words “The principal of, and any other charges on” in paragraph (a) of Section 8.01 are modified to read “The commitment charge on”.

(f) Section 12.05 and its heading are modified to read as follows:

“Section 12.05. Termination of Development Grant Agreement.

The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Academic Year” means the Recipient’s school academic year commencing in January and ending in December;

(b) “Annual Operation Plan” or “AOP” means an operation plan for the following fiscal year, prepared and approved in accordance with paragraph 6 of Schedule 4 to this Agreement;

(c) “AUEO” means the Assistant Upazila Education Officer;

(d) “CMC” means center management committee, the institutions in the Project Area selected by the Recipient, and agreed with the Association, for inclusion in the Project and which have entered into Cooperation Agreements referred to in paragraph 7 of Schedule 4 to this Agreement;

(e) “Community-Based Organizations” or “CBOs” means community organizations or user groups that: (i) operate under the Recipient’s laws; (ii) are registered as a community-based organization, a trust, development society, a non-governmental organization or a company under the Recipient’s law; (iii) meet the eligibility criteria provided in the Operational Plan; and (iv) are responsible, among other things, for carrying out and implementing various activities under the Project;

(f) “Cooperation Agreement” means the Agreement between the DPE (as hereinafter defined) and the CMCs at any learning centers or schools referred to in paragraph 7 of Schedule 4 to this Agreement;

(g) “DPE” means the Directorate of Primary Education within MOPME (as hereinafter defined), and includes any successor thereto;

(h) “ERD” means Economic Relations Division, in the MOF (hereinafter defined);

(i) “Education Allowance” means an allowance provided to eligible children attending eligible learning centers;

(j) “Education Resource Providers” or “ERP” means any NGO, educational institutions, or agencies, with a multi-district/national presence and extensive experience in primary education, teacher training and curriculum development, selected by CMCs to carry out educational technical services in accordance with agreed terms, conditions and criteria;

(k) “Education Service Providers” or “ESP” means any agency selected by CMCs, in accordance with agreed terms, conditions and criteria, to assist in identifying out-of-school and hard-to-reach children, to ensure their enrollment and attendance, and to support the CMCs in running the Learning Centers;

(l) “Environmental Management Framework” means the Recipient’s Environmental and Social Safeguards Framework, satisfactory and acceptable to the Association, which sets out, among other things: (i) key principles for social and environmental management under the different activities of the Project; (ii) procedures to screening for significant social and environmental impacts, and to assist in mitigating impacts; (iii) procedures to ensure that these principles and procedures are properly applied; and (iv) guidelines for capacity building and monitoring;

(m) “FD” means the Finance Division within the MOF (as hereinafter defined);

(n) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(o) “FY” or “fiscal year” means the fiscal year of the Recipient, which commences on July 1 of each calendar year and ends on June 30 of the calendar year thereafter;

(p) “Guidelines on Environment and Tribal Children” means the Guidelines on Environment and Tribal Children, prepared by the Recipient for the purpose for this Project and to be observed during the carrying out of the Project.

(q) “Learning Centers” or “LC” means the learning centers, which having fulfilled the criteria described in paragraph 15 of Schedule 4 to this Agreement, are eligible for Grants under Part A of the Project;

(r) “LC grants” means grants provided under Part A.2 of the Project consisting, inter alia, of: (i) establishment Fund, including a one time initial payment in setting up new Learning Centers; (ii) quality Fund, including: (A) an annual payment to procure education materials and supplies; and (B) an annual lump-sum training grant; (iii) management Fund, including an annual payment per student for schools or LCs management support and training; and (iv) discretionary Fund, an annual grant to be used for teacher salaries, center maintenance and renovations, co-curricular activities, sanitation and safe drinking water;

(s) “MOF” means the Recipient’s Ministry of Finance;

(t) “MOPME” means the Recipient’s Ministry of Primary and Mass Education;

(u) “MOSW” means the Recipient’s Ministry of Social Welfare;

(v) “MOWCA” means the Recipient’s Ministry of Women and Children Affairs;

(w) “Non-Governmental Organization” or “NGO” means a non-governmental organization operating in the Recipient’s territory and under the Recipient’s laws, which has met the eligibility criteria set out in the Operations Resources Manual;

(x) “Operations Resources Manual” means the manual prepared by the Recipient, including procedures and guidelines for the distribution of education allowance and learning center grants, under Part A of the Project;

(y) “Participation Agreement” means the Agreement between MOPME and a nationalized commercial bank, as referred to in Section 3.04 of this Agreement;

(z) “Performance Indicators” means indicators referred to in Schedule 5 to this Agreement;

(aa) “Procurement Regulations” means the Recipient’s Public Procurement Regulations of October 1, 2003, satisfactory to the Association, published in the Recipient’s Gazette;

(bb) “Project Area” means the area selected by the Recipient for inclusion in the Project with the approval of the Association;

(cc) “Report-based Disbursements” means the Recipient’s option for withdrawal of funds from the Grant Account referred to in Part A.5 of Schedule 1 to this agreement;

(dd) “ROSCC” means Reaching Out-of-School Children Committee;

(ee) “ROSCU” means Reaching Out-of-School Children Unit within DPE, referred to in paragraph 2 of Schedule 4 to this Agreement;

(ff) “SKT Schools” means schools operated by the Shishu Kallyan Trust;

(gg) “UEO” means Upazila Education Officer;

(hh) “Special Account” means the Convertible Taka Special Account referred to in Part B of Schedule 1 to this Agreement and described in the Circular dated September 2, 1991, as revised on May 4, 1992, and December 24, 1992, of the Finance Division of the Recipient’s Ministry of Finance entitled “Procedures for Operation of Convertible Taka Special Account (CONTASA) of IDA-Aided Development Projects Under Government, Departments, Autonomous, Semi-Autonomous Bodies,” as such Circular may be amended from time to time in agreement with the Association;

(ii) “Taka” means the currency of the Recipient; and

(jj) “Upazila” means a sub-district, the lowest administrative unit in the territory of the Recipient.

## **ARTICLE II**

### **The Grant**

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to thirty five million two hundred thousand Special Drawing Rights (SDR 35,200,000).

Section 2.02. The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services to be financed out of the proceeds of the Grant.

Section 2.03. The Closing Date shall be June 30, 2010, or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

Section 2.04. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Recipient from the Grant Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.05 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Recipient; and (iii) in United States dollars or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of Section 4.02 of the General Conditions.

Section 2.05. Commitment charges shall be payable semiannually on June 15 and December 15 in each year.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and environmental practices, and shall provide, promptly as needed, the funds, facilities, services, and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Association shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works, and consultants' services required for the Project and to be financed out of

the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Recipient on said plan.

Section 3.04. In order to assist the Recipient in carrying out the Project, the Recipient shall appoint a nationalized commercial bank to be responsible for Project-related banking activities (Participating Banks), for which purpose, the Recipient shall enter into a Participation Agreement, satisfactory to the Association; such Participation Agreement to provide, inter alia, for: (a) the procedures for distributing education allowances and LC Grants; (b) the Participating Bank's responsibilities on maintaining records; and (c) auditing of the Participating Bank's activities under the Project.

#### **ARTICLE IV**

##### **Financial Covenants**

Section 4.01. (a) The Recipient shall establish and maintain or cause to be established and maintained a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association) audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this

Section for such year (or other period agreed to by the Association) as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations elsewhere in this Agreement, the Recipient shall prepare and furnish to the Association a Financial Monitoring Report (FMR), in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Grant, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in implementation of the Project, both cumulatively and for the period covered by said report, and explains variances between the actual and planned implementation of the Project; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Effectiveness; Termination**

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Grant Agreement within the meaning of Section 12.01 (b) of the General Conditions:

- (a) The Recipient has approved the Project Proforma for this Project;
- (b) The Recipient has appointed appropriate persons for the key positions agreed for the ROSC Unit, with terms of reference satisfactory to the Association; and
- (c) The Recipient has finalized the terms of reference, in form and substance satisfactory to the Association, for the external evaluation agency.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## **ARTICLE VI**

### **Representative of the Recipient; Addresses**

Section 6.01. The Secretary, or the Additional Secretary, or any Joint Secretary, or Deputy Secretary, or Senior Assistant Secretary, or Assistant Secretary, or Joint Chief, or Deputy Chief, or Senior Assistant Chief, or Assistant Chief of the Economic Relations Division of the Ministry of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Economic Relations Division  
Ministry of Finance  
Government of the People's Republic  
of Bangladesh  
Sher-e-Bangla Nagar  
Dhaka, Bangladesh

Cable address:	Telex:	Facsimile:
BAHIRSAMPAD	642226 SETU BJ	88028113088

For the Association:

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

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Dhaka, People's Republic of Bangladesh, as of the day and year first above written.

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ Badiur Rahman

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ David Hughart

Acting Country Director

Bangladesh

## SCHEDULE 1

### Withdrawal of the Proceeds of the Grant

#### A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Grant, the allocation of the amounts of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Grant allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	160,000	45%
(2) Grants	13,290,000	90%
(3) Educational Allowances	15,400,000	91%
(4) Consultant's Services		
(a) For all services, under the Project, excluding those covered in sub-Category (b) below	1,590,000	80%
(b) For services regarding MIS/Monitoring under Parts D.1, D.2 and D.3	200,000	12%
(5) Training	570,000	70%
(6) Operating Costs 30,	470,000	100% until June 2006; and 60% until June 30, 2008
(7) Unallocated	3,520,000	

TOTAL	<u>35,200,000</u> =====
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2. For the purposes of this Schedule, the term “Operating Costs” means: (i) the salaries and allowances of staff appointed to positions created in DPE on or after the Effective Date for purposes of implementation of the Project; (ii) the services charges due to the nationalized commercial banks on account of the administration of the Educational Allowances and Grants; and (iii) the operation and maintenance costs of equipment and vehicles, and costs of consumables, procured under the Project.

3. Notwithstanding the provisions of paragraph 1 above: (a) no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 70,000, may be made in respect of Categories (1), (4) and (5) on account of payments made for expenditures before that date but after May 1, 2004; and (b) no withdrawals shall be made in respect of payments made for expenditures under Categories (2) and (3), unless the Grants and the Educational Allowances have been provided in accordance with the provisions of the Operations Resources Manual and are consistent with paragraphs 14 and 15 of Schedule 4 to this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$300,000 equivalent; (b) services under contracts costing less than \$100,000 equivalent for employment of firms, and \$50,000 for employment of individuals; (c) local training and dissemination; (d) awards and grants; and (e) Operating Costs, all under such terms or conditions as the Association shall specify by notice to the Recipient.

5. The Recipient may request withdrawals from the Grant Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Recipient (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Grant Account, the Recipient shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Recipient may open and maintain a convertible Special Account in Taka, on terms and conditions satisfactory to the Association, for carrying out the Project.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Grant Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Recipient is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Recipient is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the Grant Account; or

(c) if the Recipient shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Recipient and the Guarantor of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the

Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient and the Guarantor of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Recipient shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Recipient may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Grant Agreement.

**Annex A**  
**to**  
**SCHEDULE 1**

**Operation of Special Account**  
**When Withdrawals Are Not Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of Taka 150,000,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested.

(b) For replenishment of the Special Account, the Recipient shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Grant minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant shall follow such procedures as the Association shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B  
to  
SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are Report-based Disbursements**

1. Withdrawals from the Grant Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.
2. Upon receipt of each application for withdrawal of an amount of the Grant, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to reduce the number of out-of-school children through improved access, quality and efficiency in primary education, especially for the disadvantaged children, in support of the Recipient's national Education for All goals.

The Project consists of the following Parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objectives:

#### Part A: Improving Access to Quality Education

1. Distribution of education allowances to Out-of-School eligible children in accordance with terms and conditions and criteria described in the Operations Resources Manual, and in Schedule 4 to this Agreement.
2. Provision of Grants to eligible schools and Learning Centers to facilitate the establishment of new Learning Centers, and to improve delivery of quality education in new and existing Learning Centers as well as schools.
3. Provision of support and Grants to SKT Schools.

#### Part B: Communications and Social Awareness

1. Raise awareness about primary education in general and about the Project in particular, at the family, community, Upazila and national levels through appropriate media and communication campaigns.
2. Mobilize families, communities, and local ESPs to open new LCs or expand existing LCs.
3. Disseminate information on qualification, criteria, resource support, and other operational guidelines to parents, LCs, CMCs, ERPs, ESPs and UEOs and other stakeholders.

#### Part C: Project Management and Institutional Development

1. Provision of technical advisory services, logistical assistance and equipment for MOPME and DPE for Project management.

2. Strengthening of capacity: (a) at the central and Upazila levels through regular in-country training, including management, educational development and financial management training, relevant overseas training in critical areas; and (b) of Education Resource Providers through appropriate in-country and international training.
3. Provision of technical advisory services and equipment for the establishment of a network of participating Education Resource Providers.

Part D: Monitoring, Evaluation and Research

1. Provision of services of an independent agency for: (a) monitoring the use of grant support by LCs delivering education programs; and (b) monitoring and assessment of the educational allowance programs to children attending the LCs and SKT schools.
2. Provision of technical advisory services to the independent agency selected for carrying out of activities described in paragraph 1 above, for the development of its capacity to monitor the delivery of educational allowances and grants.
3. Provision of staff training and specialist consultant support for the assessment of targeted programs, in gathering, validating and reporting data from the LCs, in strengthening and updating the MIS, in developing and disseminating informational reports, and provision of other appropriate support in the form of IT, filing systems, vehicles as well as relevant staffing of a monitoring unit to work specifically on monitoring the educational allowances and grants programs.
4. Provision of services of an independent agency to carry out the evaluation of the impact of grant and educational allowance programs, including the assessment of the operation of Learning Centers and SKT schools and the overall management of the Project.
5. Provision of services to carry out a comprehensive sectoral analysis of the non-formal education system in Bangladesh.

\* \* \*

The Project is expected to be completed by December 31, 2009.

## **SCHEDULE 3**

### **Procurement**

#### Section I. Procurement of Goods and Works

##### Part A: General

Except as the Association shall otherwise agree, procurement of the goods and works to be financed out of the proceeds of this Grant shall be governed by the provisions of this Section I.

##### Part B: International Competitive Bidding

1. All goods estimated to cost the equivalent of \$300,000 or more per contract shall be procured under contracts awarded in accordance with the provisions of Section II of the "Guidelines for Procurement under IBRD Loans and IDA Credits", published by the Bank in May 2004, (the Guidelines), and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Preference for Domestically Manufactured Goods

The provisions of paragraphs 2.55 and 2.56 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Recipient.

(b) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

##### Part C: Other Procurement Procedures

##### 1. National Competitive Bidding

All goods estimated to cost less than \$300,000 equivalent per contract, may be procured using National Competitive Bidding procedure in accordance with the Recipient's Procurement Regulations.



2. Shopping

All goods estimated to cost less than \$20,000 equivalent per contract, may be procured using Shopping procedure in accordance with the Recipient's Procurement Regulations.

3. Direct Contracting

All goods estimated to cost less than \$2,000 equivalent per contract, may be procured under contracts awarded through Direct Contracting procedure in accordance with the Recipient's Procurement Regulations.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, a procurement plan for goods, which shall include contract cost estimates, contract packaging, and applicable procurement procedures, shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Such plan shall be updated at least every 12 months during the execution of the Project always covering the next 18 months, and each such updating shall be furnished to the Association for its review and approval. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$300,000 or more, and the first contract for goods regardless of value and method, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the Association may, at its own discretion, carry out post review/procurement audit of any contract awarded in accordance with this Section and may take action in accordance with paragraph 1.12 of the Guidelines. The Recipient shall carry out procurement review of such contracts by independent consultant in accordance with the provision of the Recipient's Procurement Regulations.

## Section II. Employment of Consultants

### Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in May 2004 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Schedule.

### Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.15 through 3.20 thereof applicable to quality- and cost-based selection of consultants.
2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 10 of the Consultant Guidelines.

### Part C: Other Procedures for the Selection of Consultants

#### 1. Quality- and Cost- Based Selection (QCBS)/Fixed Budget Selection (FBS)

Services through firms estimated to cost less than \$200,000 per contract may be procured following quality- and cost-based selection or selection under a fixed budget method, in accordance with the Recipient's Procurement Regulations. All contracts costing \$200,000 or more but less than \$300,000 shall follow the QCBS or FBS method in accordance with the Consultant Guidelines.

#### 2. Fixed Budget Selection (FBS) or Least Cost Selection (LCS)

Services through firms estimated to cost less than \$100,000 per contract may be procured following FBS or LCS method in accordance with the Recipient's Procurement Regulations.

#### 3. Single-Source Selection (SSS)

Specific consultants' services for monitoring and data processing by the Recipient's Local Government Engineering Department and SKT operated schools or similar contracts may, with the Association's prior agreement, be procured following SSS method in accordance with the Recipient's Procurement Regulations.

4. Individual Consultants

Services of individual consultants estimated to cost \$50,000 or more for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.4 of the Consultant Guidelines. All other individual consultants may be selected following Recipient's Procurement Regulations.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance of consultants of any requests for proposals, the proposed plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection procedures, shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Such plan shall be updated at least every 12 months during the execution of the Project always covering the next 18 months period, and each such updating shall be furnished to the Association for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Association.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2, 3 and 4 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the Association may, at its own discretion, carry out post review/procurement audit of any contract awarded in accordance with this Section and may take action in accordance with paragraph 1.17 of the Consultant Guidelines. The Recipient shall carry out procurement

review of such contracts by independent consultant in accordance with the provision of the Recipient's Procurement Regulations.

## **SCHEDULE 4**

### **Implementation Program**

1. Under the general oversight of MOPME, the DPE shall carry out the Project through ROSCU, to be headed by a Project Director (PD), to be directly responsible for the day-to-day implementation.
2. (a) For the purpose of providing policy directives, the Recipient shall establish and maintain a ROSC Committee (ROSCC), to be chaired by the secretary MOPME, and composed of representative of MOPME, MOWCA, MOSW, Planning Commission, FD, ERD, IMED, DPE, two NGOs and contributing Development Partners.  
  
(b) The ROSCC shall meet every six months to review policies on Project implementation and assess its progress, and as appropriate, to conduct an annual review of policy and Project progress, including identifying bottlenecks and proposing solutions. The annual review would be based on a progress report prepared by an independent evaluation entity, and an implementation plan for the following year prepared by the ROSCU.
3. For the purpose of the Project, the Recipient shall select Upazilas primarily on the basis of: (a) net enrollment rate; (b) primary education cycle completion rate; (c) gender gap at the primary level; and (d) Upazila headcount poverty levels.
4. The Recipient shall carry out the Project in accordance with the Operations Resources Manual, and the Guidelines on Environment and Tribal Children, and except as the Association shall otherwise agree, the Recipient shall not amend or waive any provisions thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.
5. The Recipient shall, through MOPME: (a) carry out the Project implementation activities in accordance with the Annual Operational Plans; (b) cause the ROSC Committee to carry out joint annual reviews and provide advice and guidance to DPE; (c) ensure that the established ROSC Unit shall be competently staffed until the completion of the Project; and (d) provide adequate annual budget allocations to the Project including the Recipient's counterpart funds.
6. The Recipient shall by April 30 of each year cause DPE to prepare and furnish to the Association, for review and approval, the AOP for the following

fiscal year. Each such AOP shall: (i) have been prepared in consultation with and based on data collected from the various stakeholders of the Project at various levels; (ii) include fully costed proposed activities for each output, linked with performance targets of the Project; (iii) include a detailed description of how proposed activities shall be integrated into the existing structure and with ongoing activities at DPE, division, district, Upazila and school levels; and (iv) include allocation of adequate resources and counterpart funds in the Recipient's recurrent budget for the Project.

7. The DPE shall enter into an annually renewable Cooperation Agreement with each CMCs, satisfactory to the Association. The Cooperation Agreement shall specify the purposes, major activities and expected duties to be carried out by DPE and the CMCs and the eligibility criteria for participating under the Project. The Cooperation Agreement shall be signed by each CMC by December 31 each year, for that CMC to be eligible for the subsequent Academic Year.

8. The Recipient shall, through DPE cause every LC to establish and maintain until the completion of the Project, a CMC, with terms of reference acceptable to the Association.

9. The Recipient shall cause DPE: (a) to maintain throughout the Project's implementation period a computerized financial management system acceptable to the Association; and (b) to appoint private audit firms to audit annually the disbursement of education allowances and grants under the Project.

10. The Recipient shall cause DPE to establish a monitoring and evaluation scheme to monitor Project progress and achievement of objectives thereof, including tracking of expenditures.

11. The Recipient shall cause DPE to maintain a Management Information System under terms and conditions satisfactory to the Association.

12. The Recipient shall apply the agreed Guidelines on Environment and Tribal Children.

13. (a) The Recipient shall:

(i) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Performance Indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

- (ii) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 30, 2007, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (i) above, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and
- (iii) review with the Association, by July 31, 2007, or such later date as the Association shall request, the report referred to in sub-paragraph (ii) above, and, 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 the said report and the Association's views on the matter.

(b) The mid-term review referred to in (a) above shall, inter alia, cover the:  
(i) Project scope, design and implementation arrangements, and institutional changes;  
(ii) implementation progress against agreed indicators in the annual operational plans;  
(iii) procurement performance; (iv) ROSCU effectiveness; (v) performance of consultants; (vi) fund flows; (vii) lessons learned; and (viii) any other issue agreed upon between MOPME and the Association.

#### Eligibility of Education Allowances and Grants

14. For purposes of providing education allowances for children under Part A.1 of the Project, the Recipient shall ensure that: (i) with respect to the newly established Centers, the children: (A) are enrolled in the affiliated Learning Centers; (B) are of appropriate age criteria (entry age 7-10 for class 1); and (C) should never have been enrolled in formal schools or LCs or should not have dropped out from school or from LCs for at least one academic year; (ii) with respect to existing centers, the children: (A) are enrolled in the LCs; and (B) are of appropriate age criteria (entry age 7-10 for class 1); and (iii) the children enrolled in LCs shall continue receiving education allowances only until they maintain at least 75 percent average annual attendance in the LCs and evidence of satisfactory achievement level, including evidence of satisfactory achievement deemed adequate by the classroom teacher.

15. No LCs shall be eligible to receive the LC Grant, unless:

(a) with respect to newly established LCs: (i) the LC has established a Center Management Committee with majority of parents including mothers, female ward member, an AUEO representative, and one local NGO representative with teacher as

member secretary; (ii) a formal request is made by the CMC to UEO for participation in the program; (iii) there is a student enrollment of minimum of 25 children and maximum of 35 children per class, of which 60 percent girls preferably; and

(b) with respect to existing LCs: (i) there exists a functioning CMC, with majority of parents including mothers, female ward member, an AUEO representative, and one local NGO representative with teacher as member secretary; (ii) there is a formal request by the CMC to UEO for participation in the program; (iii) there is a student enrollment of minimum of 25 children and maximum of 35 children per class, of which preferably 60 percent girls; and (iv) there exists appropriate teaching and learning environment.

#### For Part D.1

16. For the purpose of carrying out Part D.1 of the Project, the Recipient shall cause ROSC Unit to develop appropriate TORs, specifying the functions and responsibilities of the independent agency, including the monitoring activities relating to: (a) Learning Centers (management of resources encompassing organization and implementation of teaching/learning programs, provision of learning materials, and maintenance of physical facilities and the learning environment); (b) students (including enrollment, attendance, in/out transfers, grade and cycle completion rates, learning achievement, all disaggregated by gender, as appropriate); (c) teachers (including age, gender, academic and professional qualification, teaching experience); and (d) Education Allowances and Grant Funds (including usage and breakdown of grant funds, and unit costs per student).

## **SCHEDULE 5**

### **Performance Indicators**

- (1) The number of out-of-school children reduced by about 0.5 million.
- (2) About 1.4 million student-years supported for new students.
- (3) Percentage of students reaching expected competency level based on teacher's assessment in Bangla and mathematics not less than 65%.
- (4) Average student attendance rate not less than 75%.
- (5) Student grade completion rate not less than 80%.
- (6) Average teacher attendance rate not less than 90%.
- (7) Students in each grade to have on average, the same number of textbooks as those in corresponding grades in the formal primary education system.
- (8) Student transition rate to public and NGO schools to Grade 4 (from Grade 3) not less than 80%, or to Grade 6 (from Grade 5) not less than 70%.