

CONFORMED COPY

LOAN NUMBER 7815-JM

Loan Agreement

(Education Transformation Capacity Building Project)

between

JAMAICA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated March 4, 2010

LOAN NUMBER 7815-JM

LOAN AGREEMENT

Agreement dated March 4, 2010, between JAMAICA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of sixteen million Dollars (\$16,000,000) (the Loan), to assist in financing the project described in Schedule 1 to this Agreement (the Project).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are May 15 and November 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower, through the MOE, shall carry out the Project in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Events of Suspension consist of the following, namely that the ESTP has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the implementation of the Project
- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following:
- (a) The Programme Operations Manual has been adopted by the Borrower, as set forth in Section I.B of Schedule 2 to this Agreement, as approved by the Bank.
- 5.02. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on May 24, 2011.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is the Minister of Finance and the Public Service of the Borrower.

- 6.02. The Borrower's Address is:

Ministry of Finance and the Public Service
30 National Heroes Circle
Kingston 4
Jamaica

Facsimile:

876-924-9291

- 6.03. The Bank's Address is:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423(MCI) or
64145(MCI)

1-202-477-6391

AGREED at Kingston, Jamaica, as of the day and year first above written.

JAMAICA

By /s/Audley Shaw

Authorized Representative

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By /s/ Evangeline Javier

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to build the capacity of the emerging key agencies (NEI, JTC, REAs, and NET) that are being established to support the national Education System Transformation Programme (ESTP).

The Project consists of the following parts subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objective:

Part 1. Enhanced Performance and Accountability

1.1. National Education Inspectorate (NEI)

Provision of support to the NEI to establish a systematic inspection process and baseline data on school and student performance including, *inter alia*: (a) establishment of an inspection management information system (including the provision of technical assistance, procurement and installation of software and hardware, and training in the use of the system); (b) carrying out of training of inspectors; (c) carrying out of baseline inspections (including the contracting of inspectors, inspection costs and publications); and (d) carrying out of national consultation meetings on NEI mandates.

1.2. Jamaica Teaching Council (JTC)

Provision of support to operationalize the JTC including, *inter alia*: (a) establishment and implementation of a licensing and registration system for teachers; (b) carrying out of training of teachers and JTC staff, as well as orienting teachers in the licensing process and procedures; (c) review of the existing mentoring program; (d) professional development of JTC staff and college lecturers; (e) carrying out of in-service teacher training in areas required for licensing; (f) publishing of a journal describing best practices in teaching and school leadership; (g) development of a teacher management information system; and (h) establishment of programs for the National College for Education Leadership (NCEL).

1.3. Regional Education Authorities (REAs)

Provision of support for the setting up and operationalization of the REAs, including, *inter alia*: (a) capacity building for School Improvement Officers and School Support Officers; (b) carrying out of specialist training in areas to support children with special learning needs; (c) carrying out of training of school boards to understand and carry out the mandates of the Education Act and other new legislation and MOE policies; and (d) provision of equipment and software for the REAs.

Part 2. Mechanisms to Mobilize Resources to the National Education Trust (NET)

Provision of support to set up and operationalize the NET including *inter alia*: (a) carrying out of training for NET and other relevant staff in the implementation of public-

private partnerships (PPP); and (b) carrying out of a marketing campaign to mobilize resources for the NET.

Part 3. Communications, Project Management, and Monitoring and Evaluation

3.1. Provision of support for the implementation of a communications strategy to raise public awareness and seek support for the ESTP, including, *inter alia*, the carrying out of: (a) public meetings on the ESTP across the Borrower's territory, for all interested citizens; (b) stakeholder consultations for the new education agencies; (c) internal meetings on the human resource policy for the MOE staff; and (d) media campaigns.

3.2. Provision of support to the CMU in its oversight of the ESTP including the monitoring and evaluation of the Project, the hiring of staff and consultants, conducting of audits, provision of training and of necessary equipment and materials and other operational costs.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional and Other Arrangements

1. The Borrower shall operate and maintain within the MOE, at all times during Project implementation, a unit (CMU) with structure, functions and responsibilities acceptable to the Bank, including, *inter alia*, the responsibility to assist the Borrower in: (a) procurement, disbursement and financial management aspects of the Project, including fiduciary reporting; (b) coordination, monitoring and supervision of the Project; and (c) development and execution of the Annual Work Program.
2. The Borrower shall establish and thereafter maintain, throughout the implementation of the Project, a Programme Management Steering Committee (PMSC), in charge of overseeing the management of the Education Transformation Capacity Building Programme and providing strategic guidance for the implementation of the ETCBP.
3. The EEPs shall comply with the eligibility criteria and procedures set forth in the Programme Operations Manual.
4. The Borrower shall furnish to the Bank every six months after the Effective Date, regular reports (the Project Reports and the Interim Unaudited Financial Reports) prepared in accordance with the provisions of the Programme Operations Manual and the additional instructions referred to in Section IV.A.1 of this Schedule.
5. If, at any time, the Bank determines that any portion of the Loan proceeds was used for items improperly procured in violation of Section III to this Schedule, was not used for Eligible Expenditures or, in case of the Eligible Expenditure Programs of Part 1 of the Project, was not supported by evidence of actual spending by the Borrower under said Eligible Expenditure Programs and/or by evidence of satisfaction of other criteria set forth in this Agreement or in the Programme Operations Manual, the Borrower shall promptly refund any such portion to the Bank as the Bank shall specify by notice to the Borrower.
6. The Borrower and the Bank will jointly review, each year through the Annual Work Programme, the amounts detailed in Section IV(i) (*Withdrawal Application Schedule*) of the additional instructions referred to in Section IV.A.1 of Schedule 2 to this Agreement, and adjust, as necessary, in a manner satisfactory to the Borrower and the Bank.

7. The Borrower and the Bank may jointly review, by mid-term, the DLTs referred to in Schedule 4 of this Agreement and adjust as necessary, in a manner satisfactory to the Borrower and the Bank.

B. Programme Operations Manual

Without limitation to the provisions of Article V of the General Conditions, the Borrower shall ensure that:

- (a) the Project is carried out in accordance with the Programme Operations Manual; and
- (b) the Programme Operations Manual or any part thereof is not amended, waived, suspended or abrogated without the Bank's prior written concurrence, and in case of any inconsistency between the provisions of the Programme Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.

C. Anti-Corruption

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

D. Safeguards

The Borrower commits not to carry out under the Project any construction, expansion or maintenance of infrastructure.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower, through the MOE, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of (a) the Annual Work Program; (b) the indicators agreed with the Bank and set forth in the Programme Operations Manual; (c) the applicable Disbursement-Linked Targets; (d) the Interim Unaudited Financial Reports; and (e) the Procurement Plan. Each Project Report shall cover the period of six months, from April 1 to September 30 and from October 1 to March 31, and shall be furnished to the Bank not later than 45 days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank not later than 45 days after the end of each FY Semester, interim unaudited financial reports for the Project covering the six-month period, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of April 1 to March 31. The audited Financial Statements for each such period shall be furnished to the Bank not later than four months after the end of such period.

Section III. Procurement**A. General**

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

B. Particular Methods of Procurement of Goods and Non-Consultant Services

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

2. **Other Methods of Procurement of Goods and Non-Consultant Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and non-consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Methods</u>
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Methods</u>
(a) Quality-Based Selection
(b) Fixed Budget Selection
(c) Least Cost Selection
(d) Selection Based on Consultant Qualifications
(e) Single Source Selection
(f) Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

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

Section IV. Withdrawal of Loan Proceeds**A. General**

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

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be financed (exclusive of Taxes)</u>
(1) Eligible Expenditures Program (EEP), except as covered by Category (2) below	14,960,000	100% subject to Part B paragraphs 1 to 3 below
(2) Goods and consultants' services for NEI software and/or marketing	1,000,000	100%
(3) Front-end Fee	40,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	16,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US\$500,000 equivalent may be made for payments made prior to this date but on or after February 1, 2009 but in no case earlier than one year from the date of this Agreement), for Eligible Expenditures under Category (1); and
 - (b) for subsequent payments made under Category (1) unless: (i) the relevant IUFRR have been submitted to, and found satisfactory by, the Bank, in accordance with the provisions of the Programme Operations Manual and the additional instructions referred to in Section IV.A.1 of this Schedule; and (ii) all other conditions referred to in the Programme Operations Manual and in the additional instructions referred to in Section IV.A.1 of this Schedule (including, when applicable, compliance with the Disbursement-Linked Targets referred to in Schedule 4 to this Agreement for the respective semester) have been met by the Borrower in form and substance satisfactory to the Bank.
2. If, with regard to advances to be made in November 2010, November 2011, November 2012 and November 2013, as referred to in Section IV (i) in the additional instructions referred to in Section IV.A.1 of this Schedule, the Bank has received evidence of non-compliance of one or more Disbursement-linked Targets (DLTs) referred to in Schedule 4 to this Agreement in respect of any such withdrawal, the Bank shall: (i) allocate a base value of US\$200,000 to each DLT and deduct said base value from the maximum amount of the corresponding disbursement for each DLT not complied with; (ii) request the Borrower to prepare a time-bound action plan to achieve such DLT or DLTs in a manner satisfactory to the Bank; and (iii) when satisfied that the DLT or DLTs have been complied with and/or such action plan has been implemented, authorize that the unwithdrawn amount by which the corresponding disbursement had been reduced be carried forward to the immediately subsequent withdrawal.
3. In the event that the Bank has not approved a full withdrawal by the Borrower of the Loan proceeds under Category (1), the Bank may by notice to the Borrower cancel the corresponding amount of the Loan at the time of the ninth withdrawal (as referred to in Section IV (i) of the additional instructions referred to in Section IV.A.1 of this Schedule).
3. The Closing Date is March 31, 2014.

Section V. Other Undertakings

Within two months after the Effective Date, the Borrower shall hire a procurement manager, according to the terms of reference included in the Programme Operations Manual.

SCHEDULE 3**Amortization Schedule**

1. Subject to the provisions of paragraph 2 of this Schedule, the Borrower shall repay each Disbursed Amount in semiannual installments payable on each May 15 and November 15, the first installment to be payable on the eleventh (11th) Interest Payment Date following the Maturity Fixing Date for the Disbursed Amount and the last installment to be payable on the fifty-second (52nd) Interest Payment Date following the Maturity Fixing Date for the Disbursed Amount. Each installment except for the last one shall be equal to one-forty-two (1/42) of the Disbursed Amount. The last installment shall be equal to the remaining outstanding amount of the Disbursed Amount.
2. If any one or more installments of principal of the Disbursed Amount would, pursuant to the provisions of paragraph 1 of this Schedule, be payable after November 15, 2039, the Borrower shall also pay on such date the aggregate amount of all such installments.
3. The Bank shall notify the Loan Parties of the amortization schedule for each Disbursed Amount promptly after the Maturity Fixing Date for the Disbursed Amount.
4. Notwithstanding the provisions of paragraphs 1 through 3 of this Schedule, in the event of a Currency Conversion of all or any portion of a Disbursed Amount to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency.

SCHEDULE 4**Disbursement –Linked Targets**

November 2010	November 2011	November 2012	November 2013
Training program for NEI inspectors initiated	At least 10 Quality Education Circles in operation	Functional profiles for the REAs' operations approved by MOE	Training commenced for REA staff for five regions
10 pilot school inspections completed and reports published on MOE's website	Inspection handbook approved by MOE	At least 300 school inspections completed and inspection reports published on MOE's website	At least 600 school inspections completed and inspection reports published on MOE's website
Teacher registration system is operational	At least 3,000 teachers registered by the JTC	At least 10,000 teachers registered by the JTC	Licensing system fully established by JTC
Conceptual framework for NCEL approved by the Borrower's Cabinet	Communications plan for stakeholders developed and approved by MOE	Leadership training programs developed for delivery through NCEL	At least one group of education leaders certified by NCEL
NET formally established (incorporated as a Limited Liability Company)	NET operational plan approved by MOE	NET's legal and financial staff trained in relevant areas	NET international marketing campaign launched

APPENDIX

Section I. Definitions

1. “Annual Work Program” or “AWP” means the document, to be prepared by the CMU and reviewed by the Borrower and the Bank at the beginning of each new fiscal year (April), that will present a detailed budget and work plan for the year and delineate the use of the Project funds by component and activity. The AWP will also discuss the likelihood of meeting the annual DLTs and other challenges facing Project implementation.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “CMU” means Change Management Unit, the unit referred to in Section I.A. of Schedule 2 to this Agreement, which was established in the MOE to oversee implementation of the ESTP.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
6. “Disbursement-linked Targets” or “DLTs” mean any of the targets set forth in Schedule 4 to this Agreement.
7. “Education Act” means the Borrower’s Education Act (Act VIII), dated 1965 as amended to the date of this Agreement.
8. “Education Transformation Capacity Building Programme” or “ETCBP” means the Borrower’s program funded by development partners (the Bank, IDB, UNICEF, USAID and others) and government funds to support the ESTP.
9. “Eligible Expenditures Program” or “EEP” means the expenditures for the reasonable cost of goods, non-consultant services, consultants’ services, and operational costs necessary to carry out Part 1 of the Project (and thus constitutes a subset of the Eligible Expenditures defined in the General Conditions), which are contained in the following five ESTP’s budget sub-objects for the NEI, JTC, REAs, NET, and the CMU, as defined in the Borrower’s Estimates of Expenditures which is governed by the Appropriations Act (Act VI) dated 1994:

21-Compensation of Employees
22-Travel Expenses and Subsistence
23-Rental of Property, Machinery and Equipment
25-Purchases of Other Goods and Services, and
31-Purchases of Equipment (Capital Goods).

10. “ESTP” means the Borrower’s Education System Transformation Programme, the Borrower’s national education reform program to improve the efficiency, accountability, and performance of the education system.
11. “FY” means the fiscal year of the Borrower (April 1-March 31).
12. “FY Semester” means a semester of the fiscal year of the Borrower (April 1-September 30 or October 1-March 31).
13. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008), as modified pursuant to Section II of this Appendix.
14. “IUFR” means the interim unaudited financial reports referred to in Section II.B.2 of Schedule 2 to this Agreement.
15. “JTC” means the MOE's Jamaica Teaching Council, the agency established to ensure minimum quality standards and professional development opportunities for teachers and education leaders.
16. “MOE” means the Borrower’s Ministry of Education.
17. “NCEL” means the National College for Education Leadership, the institution to be established by the Borrower to set the standards and qualifications for school principals and education leaders and develop a program to prepare staff to assume positions of leadership.

18. “NEI” means the MOE’s National Education Inspectorate, the agency which will strengthen the monitoring and evaluation of school performance.
19. “NET” means the MOE’s National Education Trust, the agency to be established to seek non-traditional sources of funds to support capital programs in education.
20. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
21. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated October 16, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
22. “Programme Operations Manual” means the manual, including all appendices and schedules thereto, satisfactory to the Bank, which sets forth the policies and procedures that apply to the carrying out of the Project, which include, *inter alia*: (a) the procedures for the carrying out, monitoring and evaluation of the Project, including detailed description of the EEPs; (b) the indicators to be used for Project monitoring and evaluation; (c) the organizational structure of the Project (including the roles and responsibilities of the CMU); (d) the Project procurement and financial management requirements and procedures; (e) the Project’s chart of accounts and internal controls; (f) reporting procedures and the format of: (i) the interim unaudited financial reports referred to in Section II.B. 2 of Schedule 2 to this Agreement; and (ii) the Financial Statements; (g) the terms of reference for carrying out the Project audits under Section II.B.3 of Schedule 2 to this Agreement; and (h) the detailed criteria for the monitoring of the Disbursement-Linked Targets.
23. “Quality Education Circles” means the MOE’s education communities, defined geographically, to be used as a strategy to facilitate teacher training activities and professional sharing of experiences.
24. “REAs” means the MOE’s Regional Education Authorities, the agencies to be established to provide direct, enhanced support to schools.
25. “School Improvement Officers” means the REA staff who will provide direct support to schools to improve education service delivery.
26. “School Support Officers” means the REA staff who will provide direct support to schools at risk.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

“Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest

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

2. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. Suspension by the Bank

... (l) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (b) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”

- (c) The definition of the term “Variable Rate” is modified, in relevant part, to read as follows:

“(c) upon a Currency Conversion to an Approved Currency of an amount of the Withdrawn Loan Balance that accrues interest at a variable rate during the Conversion Period, the variable rate of interest applicable to such amount shall be equal to either: (i) the sum of: (A) LIBOR, or such other base rate as may be agreed by the Borrower and the Bank, for the Approved Currency; plus (B) the spread to LIBOR or to such other base rate, if any, payable by the Bank under the Currency Hedge Transaction relating to said Currency Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the interest rate component of the Screen Rate.”