

**CONFORMED COPY**

**CREDIT NUMBER 3614 BD**

# **Development Credit Agreement**

**(Female Secondary School Assistance Project II)**

**between**

**PEOPLE'S REPUBLIC OF BANGLADESH**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated March 28, 2002**

**CREDIT NUMBER 3614 BD**

## **DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated March 28, 2002, between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower 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) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

“12. ‘Participating Country’ means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and ‘Participating Countries’ means, collectively, all such countries.”; and

(b) The second sentence of Section 5.01 is modified to read:

“Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.”

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

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

(b) “Agrani Bank” means Agrani Bank established as a Banking Company under the Bangladesh Bank’s (Nationalization) Order 1972;

(c) “Cooperation Agreement” means the Agreement between the DSHE (as hereinafter defined) and the Project Educational Institution (as hereinafter defined) referred to in paragraph 5 of Schedule 4 to this Agreement;

(d) “DSHE” means the Directorate of Secondary and Higher Education of the Borrower’s MOE (as hereinafter defined);

(e) “Eligible Categories” means Categories 1 through 6, set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(f) “Eligible Expenditures” means the expenditures for goods and services referred to in Section 2.02 of this Agreement;

(g) “FY” means the Fiscal Year of the Borrower commencing from July 1 and ending on June 30 of each year;

(h) “MOE” means the Borrower’s Ministry of Education;

(i) “Participation Agreement” means the Agreement between MOE and Agrani Bank, referred to in Section 3.04 of this Agreement;

(j) “Project Area” means the area included in the 119 Upazilas selected by the Borrower for inclusion in the Project with the approval of the Association;

(k) “Project Educational Institutions” means educational institutions in the Project Area selected by the Borrower, and agreed with the Association, for inclusion in the Project and which have entered into Cooperation Agreements referred to in paragraph 5 of Schedule 4 to this Agreement;

(l) “Project Management Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(m) “PMU” means the Program Monitoring Unit within DSHE, referred to in paragraph 2 of Schedule 4 to this Agreement;

(n) “POU” means the Project Operations Unit, within DSHE, referred to in paragraph 1 of Schedule 4 to this Agreement;

(o) “School Management Committee” means the committee referred to in paragraph 4 of Schedule 4 to this Agreement;

(p) “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 Borrower’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;

(q) “Taka” means the currency of the Borrower;

(r) “Upazila” means a sub-district, the lowest administrative unit in the territory of the Borrower; and

(s) "Water Supply and Sanitation Facilities Agreement" means the agreement between the POU, the School Management Committee, and the Head Teacher of a Project Educational Institution, referred to in paragraph 6 of Schedule 4 to this Agreement.

## **ARTICLE II**

### **The Credit**

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to ninety six million four hundred thousand Special Drawing Rights (SDR 96,400,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit 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 and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be December 31, 2006 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit 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 Borrower from the Credit 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 2.06 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 Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 1 and September 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 1 and

September 1, commencing September 1, 2012 and ending March 1, 2042. Each installment to and including the installment payable on March 1, 2022 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### **ARTICLE III**

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

Section 3.01. (a) The Borrower 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, through MOE, with due diligence and efficiency and in conformity with appropriate educational 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 Borrower and the Association shall otherwise agree, the Borrower 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 Credit 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 Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower 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 Borrower on said plan.

Section 3.04. In order to assist the Borrower in carrying out the Project, the Borrower shall appoint Agrani Bank to be responsible for Project-related banking activities. For this purpose, the Borrower shall enter into a Participation Agreement with Agrani Bank satisfactory to the Association. The Participation Agreement shall provide, inter alia, for: (a) the procedures for distributing stipends; (b) Agrani Bank's responsibilities on maintaining records; and (c) auditing of Agrani Bank activities under the Project.

Section 3.05. The Borrower shall: (a) by April 1 of each year, commencing in 2002, carry out a comprehensive review of the progress of the Project during the preceding Academic Year; and (b) promptly furnish to the Association with the findings and recommendations of such review as well as a work program for the following Academic Year, for approval by the Association.

Section 3.06. The Borrower shall cause: (a) a performance audit of the Project to be carried out, covering a period of two and one-half years from the Effective Date, for purposes of which the auditors shall be appointed, in accordance with the provisions of Section II of Schedule 3 to this Agreement, not later than December 31, 2003; and (b) a performance audit of the Project covering the following period ending December 31, 2005, for purposes of which the auditors shall be appointed, in accordance with the provisions of Section II of Schedule 3 to this Agreement, not later than June 30, 2005.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, 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,
  - (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and
  - (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, 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 Credit Account were made on the basis of Project Management Reports or statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Project Management Reports or the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than October 31, 2002, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project,

both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

## **ARTICLE V**

### **Effective Date; Termination**

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

- (a) the Borrower has approved the Project Proforma for carrying out the Project; and
- (b) the Borrower has appointed all the key staff for the POU, including a Deputy Director for Finance and Administration, an Assistant Director for Financial Management, and a Procurement Officer, all with job descriptions and qualifications satisfactory to the Association.

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 Borrower; 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 Borrower is designated as representative of the Borrower 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 Borrower:

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 Dhaka	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 Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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, Bangladesh, as of the day and year first above written.

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ Anisul Huq Chowdhury

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Frederick T. Temple

Country Director, Bangladesh

## SCHEDULE 1

### Withdrawal of the Proceeds of the Credit

#### A. General

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	1,230,000	80%
(2) Goods	1,180,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(3) Consultants' services and training	7,340,000	100%
(4) Awards and Grants	3,570,000	100%
(5) Stipend and Tuition		85%
(a) Until the end of Academic Year 2002	18,000,000	
(b) Academic Year 2003	10,690,000	
(c) Academic Year 2004	11,830,000	
(d) Academic Year 2005	13,560,000	
(e) Academic Year 2006	15,630,000	
(6) Incremental Staff Salaries and Operating Costs	3,730,000	100% until June 30, 2003; 65% until June 30, 2005; and 35% thereafter
(7) Unallocated	9,640,000	

TOTAL 96,400,000

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term “training” means local and international training, including workshops and other such activities conducted under the Project;

(d) the terms “Awards and Grants” shall mean to include the financial incentives to Project Educational Institutions and students, distributed through MOE/DSHE and Agrani Bank, in accordance with the criteria agreed with the Association; and

(e) the term “incremental staff salaries and operating costs” means: (i) the salaries and allowances of staff appointed to positions created in DSHE on or after the Effective Date for purposes of implementation of the Project; and (ii) 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, no withdrawals shall be made in respect of payments made for expenditures: (i) prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 9,160,000, may be made in respect of Category 5(a) on account of payments made for expenditures before that date but after July 1, 2001; and (ii) under Categories 5(a) through 5(e), unless the Association has approved the work program prepared by the Borrower for the Academic Year pursuant to Section 3.05(b) of 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 \$200,000 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; (e) stipend and tuition; and (f) incremental staff salaries and operating costs, all under such terms or conditions as the Association shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall open and maintain in convertible Taka a separate special deposit account, in Agrani Bank, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

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

(a) until the Association shall have received: (i) the first Project Management

Report referred to in Section 4.02(b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 4.02(b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further 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 Borrower out of the Special Account, the Borrower 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 determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower 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 made on the basis of Project Management Reports.

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 Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit 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 Borrower 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 Borrower 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 Borrower 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 Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower 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 sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

**Annex A  
to  
SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are Not Made  
On the Basis of Project Management Reports**

1. For the purposes of this Annex, the term “Authorized Allocation” means an amount equivalent to Taka 627,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

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

(a) For withdrawals of the Special Account’s Authorized Allocation, the Borrower 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 Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower 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 Borrower 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 Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the said Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the said Special Account’s Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit allocated to said Special Account’s Eligible Categories 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 Special Account’s Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such

procedures as the Association shall specify by notice to the Borrower. 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 Made  
On the Basis of Project Management Reports**

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the respective 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 Credit Account under one or more of the Special Account's Eligible Categories.
2. Each application for withdrawal from the Credit Account for deposit into the Special Account shall be supported by a Project Management Report.
3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective 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 Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of Taka 627,000,000.

**SCHEDULE 2**

**Description of the Project**

The objective of the Project is to improve the quality of secondary education in the rural areas in the territory of the Borrower, with a particular focus on girls' access to education.

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

**Part A: Secondary Education Quality Improvement**

1. Provision of technical advisory services, training and equipment to carry out:  
(a) in-service training for teachers; (b) academic supervision and management training for head teachers; (c) in-service training for educational institutions and professional development opportunities for a group of expert teachers through the development of Mobile Training Resource Teams (MTRTs); (d) awareness training for Upazila Program Officers and Assistant Program Officers, field level officials of the Borrower, and educational institutions' School

Management Committees (SMCs) and Parent Teachers Associations (PTAs); and (e) providing fellowships for female secondary school assistance Project graduates.

2. Distribution of incentive awards for educational institutions performance and improvement.
3. Distribution of incentive awards for student achievement.
4. Improving water and sanitation facilities, through: (a) the provision of minor civil works for tubewells and latrines; (b) testing for arsenic contamination of tubewells; and (c) the carrying out of a school arsenic awareness program.

**Part B: Increased Access and Retention of Girls**

1. Provision of: (a) stipends to secondary school girls moving through classes 6-10 to cover costs of school fees, public examinations, textbooks, stationery, uniforms, shoes, transport and other related expenses; and (b) support to educational institutions to cover the costs of eligible girls' tuition.
2. Carrying out of outreach programs including support to unserved girls in existing school catchment areas, and establishment or recognition of lower secondary schools in areas where there is no secondary education facility for girls.

**Part C: Strengthened Management, Accountability and Monitoring**

Strengthening DSHE's capabilities in Project implementation, management, accountability and monitoring, at national and Upazila levels, through the provision of technical assistance and equipment, and through the implementation of improved systems and staff development activities, including target training to key personnel in MOE, the PMU, POU and educational institutions.

\* \* \*

The Project is expected to be completed by June 30, 2006.

**SCHEDULE 3**

**Procurement and Consultants' Services**

**Section I. Procurement of Good and Works**

**Part A: General**

1. Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.
2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries"

and “member country” shall be deemed to be references, respectively, to “Participating Countries” and “Participating Country”.

**Part B: International Competitive Bidding**

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

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

(a) Grouping of Contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$200,000 equivalent or more each.

(b) Preference for Domestically Manufactured Goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the People’s Republic of Bangladesh.

(c) 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

(a) Goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Improvement of Bidding Procedures

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the Procurement Guidelines:

- (i) standard bidding documents approved by the Association shall be used;
- (ii) invitations to bids shall be advertised in at least one widely circulated national daily newspaper and bidding documents shall be made available to prospective bidders, at least 28 days prior to the deadline for the submission of bids;
- (iii) bids shall not be invited on the basis of percentage premium or discount over the estimated cost;



- (iv) bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
- (v) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;
- (vi) qualification criteria (in case pre-qualifications were not carried out) shall be stated in the bidding documents, and if a registration process is required, a foreign firm determined to be the lowest evaluated bidder shall be given reasonable opportunity of registering, without any let or hindrance;
- (vii) bidders may deliver bids, at their option, either in person or by courier service or by mail;
- (viii) all bidders shall provide bid security as indicated in the bidding documents. A bidder's bid security shall apply only to a specific bid;
- (ix) bids shall be opened in public in one place immediately, but no later than one hour, after the deadline for submission of bids;
- (x) evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and specified period agreed with the Association;
- (xi) a bid shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;
- (xii) split award or lottery in award of contracts shall not be carried out. When two or more bidders quote the same lowest price, an investigation shall be made to determine any evidence of collusion, following which: (A) if collusion is determined, the parties involved shall be disqualified and the award shall then be made to the next lowest evaluated and qualified bidder; and (B) if no evidence of collusion can be confirmed, then fresh bids shall be invited after receiving the concurrence of the Association;
- (xiii) contracts shall be awarded to the lowest evaluated bidders within the initial period of bid validity so that extensions are not necessary. Extension of bid validity may be sought only under exceptional circumstances;
- (xiv) extension of bid validity shall not be allowed without the prior concurrence of the Association: (A) for the first request for extension if it is longer than eight weeks; and (B) for all subsequent requests for extensions irrespective of the period;
- (xv) negotiations shall not be allowed with the lowest evaluated or any other bidders;

- (xvi) re-bidding shall not be carried out without the Association's prior concurrence; and
- (xvii) all contractors or suppliers shall provide performance security as indicated in the contract documents. A contractor's or a supplier's performance security shall apply to a specific contract under which it was furnished.

2. International or National Shopping

Goods estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Computer software, books, and education materials costing \$2,000 equivalent or less per contract, and \$100,000 in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Community Participation

Works required for Part A.4(a) of the Project shall be procured in accordance with procedures agreed with the Association.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project 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. Procurement of all goods and works 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: (a) each contract for goods estimated to cost the equivalent of \$200,000 or more, and (b) the first contract procured in accordance with the procedures set forth in Part C, paragraph 1(a) of this Section (National Competitive Bidding), 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 procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A:            General

1. Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.
2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

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, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.
2. The following provisions 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 \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C:            Other Procedures for the Selection of Consultants

1.        Selection Under a Fixed Budget

Services for outreach program, community mobilization, project management, arsenic awareness and audits, estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2.        Single Source Selection

Services for mid-term review, rapid and tracer studies, impact and effectiveness study on teacher training, external evaluation for outreach, testing of tubewells and quality assurance of arsenic testing, which are estimated to cost less than \$100,000 equivalent per contract, and all training and fellowship activities, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3.        Individual Consultants

Services of systems management specialist, training materials development specialist, school improvement specialist and female education specialist, and services for tasks that meet the requirements set forth in paragraph 5.1 of the Guidelines, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through

5.3 of the Consultant Guidelines.

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

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project 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. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

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 1, 2 (other than the third subparagraph of paragraph 2(a)), 3, and 5 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 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.

(c) Notwithstanding the provisions of paragraph (a) and (b) above, the terms of reference for all contracts for services shall be furnished to the Association for prior review and approval.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

## **SCHEDULE 4**

### **Implementation Program**

1. The Borrower shall establish and maintain a Project Operations Unit (POU) responsible for implementing the Project, and to be headed by a Project Director who shall be accountable to the Director General, DSHE.

2. The Borrower shall establish and maintain a Program Monitoring Unit (PMU) responsible for coordinating all female education projects and related secondary education activities, as well as maintaining an integrated MIS database and monitoring and evaluation of the Project.

3. The Borrower shall implement the Project in accordance with the Project Implementation Plan and the Stipends Operations Resource Manual, as revised and agreed with the Association,

and except as the Association shall otherwise agree, the Borrower shall not amend or waive any provision thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

4. The Borrower shall cause every Project Educational Institution to establish and maintain until the completion of the Project, a School Management Committee, with terms of reference acceptable to the Association.

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

6. The POU, prior to carrying out Part A.4 of the Project, on behalf of DSHE shall enter into a Water Supply and Sanitation Facilities Agreement with each Project Educational Institution, satisfactory to the Association. The Water Supply and Sanitation Facilities Agreement shall specify the purposes, major activities, and financing mechanisms of the activities to be carried out by the Project Educational Institution.

7. The Borrower shall maintain a Management Information System (MIS) under terms and conditions satisfactory to the Association. The Borrower shall use the MIS for, inter alia, tracking key Project indicators relative to the stipend program, and for monitoring and evaluating the progress of Project implementation.

8. For the smooth implementation of the Project, the Borrower shall, not later than August 31, 2002: (a) establish a computerized financial management system under terms and conditions satisfactory to the Association; (b) complete a financial management manual, in form and substance satisfactory to the Association; (c) appoint a financial expert consultant to facilitate the implementation of the computerized financial management system; and (d) thereafter maintain, until the completion of the Project, the financial management system in accordance with the financial management manual referred to in (b) above.

9. The Borrower shall maintain Upazila Project Offices in the Upazilas in the Project Area, and adequately staff them with personnel having qualifications and experience satisfactory to the Association.

10. (a) The Borrower shall:

- (i) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, 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 May 31, 2004, 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 1, 2004, 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 review referred to in (a) above shall cover, inter alia: (i) evaluation of the impact of the Project on enrollment of girls in secondary schools; (ii) the implementation of the water supply and sanitation program; and (iii) the implementation of the institutional development program.

