

CONFORMED COPY

LOAN NUMBER 7028-TUN

Loan Agreement

(Education Quality Improvement Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 15, 2000

LOAN NUMBER 7028-TUN

LOAN AGREEMENT

AGREEMENT, dated September 15, 2000, between THE REPUBLIC OF TUNISIA (the Borrower) and THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated April 20, 2000 from the Borrower describing a program of actions, objectives and policies (the Program) designed to (a) ensure general completion of basic education; (b) provide a larger number of students with opportunities to access secondary education; and (c) modernize the management of the education sector, and declaring the Borrower's commitment to the execution of the said Program;

(B) the Borrower has requested the Bank's support in the execution of the Program through a series of loans over a period of approximately eight (8) years to be utilized by the Borrower for, and assisting the appropriate entities in, implementing the Program;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the first phase of the Program (the Project) described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the

foregoing, to extend the Loan to the Borrower in support of the Project 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 Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank, dated September 1, 1999 with the modification set forth below (the General Conditions) constitute an integral part of this Agreement:

Paragraph (c) of Section 9.07 of the General Conditions is modified to read as follows:

"(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."

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) "Central Bank" means the Central Bank of Tunisia (Banque Centrale de Tunisie) established and operating pursuant to the Borrower's Law No. 58-90 dated September 19, 1958, as the same may be amended from time to time;

(b) "DGSC" means Direction Générale des Services Communs, the Borrower's General Directorate of Support Services within MOE (as this term is hereinafter defined);

(c) "Eligible Categories" means categories (1), (2), (3) and (4) set forth in the table of Schedule 1 to this Agreement;

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

(e) "Environmental Assessment Procedures" means the Borrower's procedures, satisfactory to the Bank, furnished by the Borrower to the Bank and defined in the Implementation Manual (as this term is hereinafter defined), as the same may be updated from time to time by agreement of the Borrower and the Bank, for the implementation of the Project in accordance with appropriate environmental standards and guidelines, and including, inter alia, the preparation of environmental assessment reports for school construction activities to be carried out under Part A.3 (i) of the Project;

(f) "Governorate" means "Gouvernorat", an administrative jurisdiction of the Borrower, the status of which is defined by a Decree of June 21, 1956, modified by Law No. 83-104 of December 3, 1983 setting forth the administrative division of the territory of the Borrower;

(g) "Implementation Manual" means the manual, at all times satisfactory to the Bank, setting forth, inter alia, the respective roles and responsibilities regarding the implementation of the Project, the accounting, financial reporting and auditing arrangements, the procurement plan, the monitoring and evaluation procedures including the

selected indicators for Project progress and Program milestones, the Environmental Assessment Procedures, and all other relevant provisions, as reviewed periodically between the Borrower and the Bank;

(h) "MOE" means the Ministry of Education of the Borrower;

(i) "Oversight Committee" means the Oversight Committee ("Comité de pilotage") established and operating pursuant to a decision of the Minister of Education of the Borrower dated April 11, 2000, referred to in Section A.1 of Schedule 5 to this Agreement;

(j) "Special Account" means the account referred to in Schedule 6 to this Agreement;

(k) "Urban Planning and Land Use Scheme" means the planning instrument of the Borrower for land use planning and development, defining the purposes of specific perimeters in terms of urban development, including housing areas and their relevant social and technical infrastructure; and

(l) "ZEP" means Zone d'éducation prioritaire, a priority target area established by MOE for the promotion of education.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to ninety nine million Dollars (\$99,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank 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 Loan and in respect of the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04(c) of the General Conditions.

(b) The Borrower shall, for the purposes of the Project, open and maintain in Dollars a special deposit account in the Central Bank of Tunisia on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2005 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to nine hundred ninety thousand Dollars (\$990,000). The Borrower agrees that on or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one percent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one percent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on April 1 and October 1 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (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 said 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 Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04(c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, education and environmental good 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 Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement and the Implementation Manual.

Section 3.02. Except as the Bank 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 Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall at all times maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, 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 Bank, consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six (6) 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 Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of 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 Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank'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 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. 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 Bank 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 July 31, 2001, or such later date as the Bank shall agree, to prepare semi-annual reports in accordance with the provisions of Section C of Schedule 5 to this Agreement and acceptable to the Bank.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02(p) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program or a significant part thereof, will be carried out.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions, namely that the Bank has received the final list setting forth the Governorates in which school construction activities under Part A.3 (i) of the Project shall be carried out during the first year of the Project.

Section 6.02. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of International Cooperation and Foreign Investment of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of International Cooperation
and Foreign Investment
98, Avenue Mohamed V
1002 Tunis-Belvédère
Republic of Tunisia

Cable address:	Telex:	Facsimile
MCIIE	18060	216-1-799069

For the Bank:

International Bank for

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

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF TUNISIA

By /s/ Nouredine Mejdoub
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jean-Louis Sarbib
Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Civil works		
(a) under Part A.3(i) of the Project	39,000,000	48%
(b) under Part A.3(ii) of the Project	8,000,000	48%
(2) Goods	43,000,000	100% of foreign expenditures, 100% of local expenditures and expenditures procured

			locally
(3)	Consultants' services, study tours and foreign training	880,000	100%
(4)	Local Training	1,200,000	20%
(5)	Fee	990,000	Amount due under Section 2.04 of this Agreement
(6)	Premia for Interest Rate Caps and Interest Rate Collars	100,000	Amount due under Section 2.09 (c) of this Agreement
(7)	Unallocated	5,830,000	
	TOTAL	99,000,000	

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; and

(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.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of (a) payments made for expenditures prior to the date of this Agreement; and (b) expenditures under Category 1 (a) related to any specific school construction activities, unless the Borrower shall have first confirmed to the Bank, under conditions satisfactory to the Bank, that (i) the site on which said construction activities are to be carried out falls within an Urban Planning and Land Use Scheme, or (ii) whenever said construction activities are to be carried out on a site which is not covered by an Urban Planning and Land Use Scheme referred to in the preceding sub-paragraph (i), said construction activities comply with the Environmental Assessment Procedures.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (i) works under contracts costing less than \$1,000,000 equivalent each; (ii) goods under contracts costing less than \$500,000 equivalent each; (iii) services of consulting firms under contracts costing less than \$100,000 equivalent each; and (iv) training activities and services of individual consultants under contracts costing less than \$50,000 equivalent each, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in reinforcing the process of reforming the Borrower's education sector through (a) promoting excellence in teaching and learning in an improved pedagogical and physical environment, and (b) increasing the inclusion of children into the basic education system.

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 objectives:

Part A: School Level Interventions

1. Carrying out a program, through the provision of goods, training and consultants' services, to, inter alia, (a) promote innovation and the development of new teaching methods, programs and materials, (b) promote teaching initiatives aimed at preventing and reducing school failure, and (c) improve learning conditions and the schooling environment, particularly in priority schools.
2. Promoting the use of new information technologies with a view to enhancing learning outcomes, through the provision of equipment, consultant services and training.
3. Carrying out a program, consisting of the execution of works and the provision of goods, to (i) construct new schools, and (ii) rehabilitate existing school infrastructure.
4. Strengthening MOE's staff training capacity, through the provision of goods, consultants' services and training, to enable MOE to carry out a program of specialized training for teachers, school principals, inspectors, administrators and supervisory staff.

Part B: Sector-Wide Interventions

1. Carrying out a program, consisting of the provision of goods and consultants' services and the carrying out of study tours, with a view to assess (i) students' learning achievements, and identify students' learning needs in order to address such needs, (ii) teachers, in order to enable them to adjust their teaching methods to the diverse needs of their students, (iii) schools, towards improving their operation and performance, and (iv) the school system, to monitor the impact of education policy reforms on students' learning achievements.
2. Strengthening the Borrower's education research capacity, through the provision of goods and consultants' services, to, inter alia, (a) develop an assessment item bank, and (b) establish a school performance indicator system.
3. Carrying out a program, consisting of the provision of goods, training and consultants' services, to enhance the quality of the education system's management at the central and regional levels of MOE.
4. Carrying out a program, consisting of the provision of goods and consultants' services, and the carrying out of study tours, to support the development of policies and plans to manage the increase in students at the post-basic level.

* * *

The Project is expected to be completed by December 31, 2004.

SCHEDULE 3

Amortization Schedule

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

paragraph 4 of this Schedule, to which a Currency Conversion applies.

Share	Payment Date	Installment (Expressed as a %)
	October 1, 2005	7%
	April 1, 2006	7%
	October 1, 2006	7%
	April 1, 2007	0%
	October 1, 2007	0%
	April 1, 2008	7%
	October 1, 2008	7%
	April 1, 2009	0%
	October 1, 2009	0%
	April 1, 2010	7%
	October 1, 2010	7%
	April 1, 2011	0%
	October 1, 2011	0%
	April 1, 2012	7%
	October 1, 2012	7%
	April 1, 2013	7%
	October 1, 2013	5%
	April 1, 2014	5%
	October 1, 2014	4%
	April 1, 2015	4%
	October 1, 2015	3%
	April 1, 2016	3%
	October 1, 2016	3%
	April 1, 2017	3%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing

system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be 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 said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said 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 principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 4

Procurement

Section I. Procurement of Goods and Works

Part A: General

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 following provisions of Section I of this Schedule.

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 provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto with respect to the Preference for domestically manufactured goods, shall apply to goods procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than \$3,000,000 equivalent per contract, up to an aggregate amount not to exceed \$83,000,000 equivalent and goods estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$2,600,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 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. Works estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$19,600,000 equivalent, may be procured under contracts awarded on

the basis of national shopping procedure in accordance with the provisions of paragraph 3.5 of the Guidelines.

3. Direct Contracting

Goods, under Parts A.1 and A.2 of the Project, which should be procured as an extension of existing contract, are of a proprietary nature, and costing \$100,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Bank 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 Bank 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 Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to (i) each contract for works estimated to cost the equivalent of \$1,000,000 or more, (ii) each contract for goods estimated to cost the equivalent of \$500,000 or more, and (iii) the three first contracts for works under Part A 3 (i) of the Project estimated to cost the equivalent of \$1,000,000 or less, which have been procured in accordance with the procedures of Parts B and C of the present Section, the procedures set forth in paragraphs 2 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

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers", published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) 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, 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 and training 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 \$25,000 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 Based on Consultants' Qualifications

Services which are estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services which are estimated to cost less than \$100,000 equivalent per contract, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

Part D: Review by the Bank 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 Bank 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 Bank, 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 sub-paragraph of paragraph 2(a)) 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 Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

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 5

Implementation Program

A. Project Coordination and Implementation

1. The Borrower shall ensure overall Project coordination through MOE and the Oversight Committee. The Borrower shall, at all times, maintain the Oversight Committee under terms of reference, composition and institutional arrangements satisfactory to the Bank. The Oversight Committee, which is headed by the Minister of Education or his representative, shall, inter alia, coordinate and oversee progress in the implementation of the Project.

2. The Borrower shall vest MOE with the overall responsibility for the implementation of the Project. In order to ensure proper management and coordination of the Project, the Borrower shall cause MOE to appoint, subject to terms of reference satisfactory to the Bank: (a) a Project Coordinator who will be in charge of monitoring the execution of the

Project; and (b) the Director General of DGSC as Project Director. The Project Director shall: (a) ensure the physical and financial management of the Project; (b) coordinate all procurement, disbursement and audit activities; and (c) prepare, in collaboration with the Project Coordinator, the semi-annual and mid-term review reports referred to in, respectively, Sections C and D of this Schedule. The Borrower shall, at all times, cause MOE to: (a) maintain professional staffing in adequate number, whose qualifications and experience shall be acceptable to the Bank; and (b) carrying out the Project in accordance with the Implementation Manual.

B. Part A.3 of the Project

1. The Borrower shall submit to the Bank, not later than January 31, 2001, (a) the list of selected sites for school construction activities for the first year of the Project under Part A.3 (i) of the Project, determining, inter alia, whether each such site falls within an Urban Planning and Land Use Scheme, and (b) two (2) environmental assessment studies, in form and substance satisfactory to the Bank, relating to the carrying out of school construction activities under Part A.3 (i) of the Project which are not located on a site covered by an Urban Planning and Land Use Scheme.

2. The Borrower shall prepare and submit to the Bank, not later than January 31 of each year, commencing on January 31, 2002, a report of such scope and in such detail as agreed between the Bank and the Borrower, including, inter alia, (a) the list of selected sites for school construction and rehabilitation activities, including, for each new school to be constructed under Part A.3 (i) of the Project for the current year, the budget allocation and the evidence, satisfactory to the Bank, that the land on which such construction activities are to be carried out has been transferred to MOE; (b) the performance results of using the Environmental Assessment Procedures; and (c) the architectural programs and the technical specifications for construction and rehabilitation activities for the current year, as the same may have been updated.

C. Semi-annual reports

Without prejudice to the provisions of Section 4.01 of this Agreement and to those of Sections D and E of this Schedule, the Borrower shall, not later than January 31 and July 31 of each year until completion of the Project, commencing on July 31, 2001, prepare and furnish to the Bank a Project management report, of such scope and in such detail as agreed between the Borrower and the Bank, describing, inter alia, (i) the progress achieved in the implementation of the Project, (ii) the workplan for the following six-month period, and (iii) the financial and procurement status of the Project.

D. Mid-Term Review

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about October 31, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, 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

(c) review with the Bank, not later than March 31, 2003, or such later date as the Bank shall request, the report referred to in subparagraph (b) of this Section, 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 Bank's views on the matter.

E. Program Milestones

The Borrower shall:

(a) prepare and furnish to the Bank, not later than December 31, 2003, a report describing the progress in the fulfillment of the actions referred to in the Program, including the attainment of the milestones agreed between the Bank and the Borrower and required to be reached as a pre-requisite to initiate the second phase of the Program; and

(b) review with the Bank, not later than March 31, 2004, or such later date as the Bank shall request, the report referred to in subparagraph (a) of this paragraph, and, thereafter, take all measures required by the Bank to initiate the second phase of the Program.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$9,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$2,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$10,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, 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 Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank

shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, 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 Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank 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 Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank 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 Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank 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.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank 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 Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

