

CONFORMED COPY

LOAN NUMBER 3786 TUN

Loan Agreement

(Secondary Education Support Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 21, 1994

LOAN NUMBER 3786 TUN

LOAN AGREEMENT

AGREEMENT, dated September 21, 1994, between the REPUBLIC OF TUNISIA (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan 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 Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

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

(a) "basic education" means the education dispensed in the Borrower's schools from the first to the ninth grades of schooling in accordance with the provisions of the Borrower's Law No. 91-65 dated July 29, 1991;

(b) "Baseline Values and Target Values" means the baseline values and target values to be applied in connection with each of the Impact Indicators (as hereinafter defined);

(c) "Category" means a Category of items to be financed out of the proceeds of the Loan, as set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and the term "Categories" means more than one Category collectively;

(d) "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;

(e) "CNM" means the National Maintenance Center (Centre National de Maintenance), an administrative public institution established and operating pursuant to the Borrower's Budget Law No. 87-83 dated December 31, 1987, or any successor thereto;

(f) "CREFOC" means a Regional Center for Education and Inservice Training (Centre Regional de l'Education et de la Formation Continue), an administrative public institution established and operating pursuant to the Borrower's Law No. 90-107 dated November 26, 1990 and the related implementation regulations, or any successor thereto; and CREFOCs means more than one CREFOC or the CREFOCs collectively;

(g) "DBE" means the Directorate of Buildings and Equipment (Direction des Batiments et de l'Equipment) within the MES (as hereinafter defined);

(h) "DGES" means the General Directorate of Secondary Education (Direction Generale de l'Enseignement Secondaire) within the MES (as hereinafter defined);

(i) "DGFC" means the General Directorate for Inservice Training (Direction Generale de la Formation Continue) within the MES (as hereinafter defined);

(j) "DPSI" means the General Directorate for Planning, Statistics and Information Science (Direction Generale de la Prospective, de la Statistique et de l'Informatique) within the MES (as hereinafter defined);

(k) "DRE" means a Regional Directorate of Education (Direction Regionale de l'Education), an administrative public institution established and operating pursuant to the Borrower's Decree No. 88-242 dated February 16, 1988, or any successor thereto; and DREs means more than one DRE or the DREs collectively;

(l) "Fiscal Year" or "FY" means the twelve (12) month period corresponding to any of the Borrower's fiscal years, which period commences on January 1 and ends on December 31 in each calendar year;

(m) "Impact Indicators" means the impact indicators aimed at

assessing and measuring the progress made by the Borrower in the achievement of the objectives of the Project, as the same may be updated from time to time in accordance with the provisions of Section C (c) of Schedule 5 to this Agreement;

(n) "INBMI" means the National Institute for Office and Micro-Computer Science (Institut National de Bureautique et de Micro-Informatique), an administrative public institution established and operating pursuant to the Borrower's Decree No. 90-498 dated March 10, 1990, or any successor thereto;

(o) "INSE" means the National Institute of Educational Sciences (Institut National des Sciences de l'Education), an administrative public institution established and operating pursuant to the Borrower's Decree No. 72-275 dated September 8, 1972, or any successor thereto;

(p) "ISEFC" means the Higher Institute for Education and Inservice Training (Institut Supérieur de l'Education et de la Formation Continue), an administrative public institution established and operating pursuant to the Borrower's Decree 84-308 dated March 21, 1984, or any successor thereto;

(q) "MES" means the Borrower's Ministry of Education and Sciences (Ministere de l'Education et des Sciences) established and operating pursuant to the Borrower's Decree No. 92-1929 dated November 2, 1992;

(r) "PMU" means the Project Management Unit (Unite de Gestion du Projet) to be established and managed by the MES pursuant to the provisions of Section A.2 of Schedule 5 to this Agreement;

(s) "secondary education" means the education dispensed in the Borrower's schools (lycees) from the tenth to the thirteenth grades of schooling in accordance with the provisions of the Borrower's Law No. 91-65 dated July 29, 1991;

(t) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

(u) "upper-basic education" means the education dispensed in the Borrower's schools (coles preparatoires) from the seventh to the ninth grades of schooling in accordance with the provisions of the Borrower's Law No. 91-65 dated July 29, 1991.

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 the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of ninety-eight million three hundred thousand dollars (\$98,300,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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, works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in its Central Bank 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, 2000 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 commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the

principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

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

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

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 the MES with due diligence and efficiency and in conformity with appropriate administrative, education,

engineering, environmental, financial and technical 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, the Borrower shall take all necessary measures to ensure that adequate and timely financial arrangements are in place at all times for the continued and successful operation of the Project, including, without limitation, the provision, beginning with the FY 1995 budget and for each following FY budget until Project completion: (i) to the MES, of the necessary budgetary resources required to maintain an adequate level of the MES's annual recurrent and investment budget for basic education; and (ii) to the CNM, the INBMI, the INSE and the PMU, of the funds necessary to allow them to suitably meet each of their recurrent and investment budget costs for the Project.

(c) Without limitation upon the provisions of paragraphs (a) and (b) 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.

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.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, for each Fiscal Year audited, in accordance with appropriate auditing principles 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 nine (9) months after the end of each such year, the 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 said records and accounts and the audit thereof as the Bank shall 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 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 or payment out of the Special 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.

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the PMU shall have been established in accordance with the provisions of Section A.2 of Schedule 5 to this Agreement and shall be operational.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. 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 6.02. 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
149, Avenue de la Liberte
1002 Tunis-Belvedere
Republic of Tunisia

Cable address:	Telex:
MCIIE	18060

For the Bank:

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

Cable address:	Telex:
INTBAFRAD	248423 (RCA)
Washington, D.C.	82987 (FTCC)
	64145 (WUI) or
	197688 (TRT)

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/ Oussama Romdhani
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Caio Koch-Weser
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 Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil Works	48,700,000	44%
(2) Equipment	39,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expen- ditures for other items procured locally
(3) Consultants' Services for the Project, excluding Part B.1 thereof	600,000	100%
(4) Training	2,000,000	100% of foreign expenditures
(5) Unallocated	8,000,000	
TOTAL	<u>98,300,000</u> =====	

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 payments made for expenditures prior to the date of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (i) goods under

contracts not exceeding \$250,000 equivalent, excluding those referred to in paragraph 1 (a) (iii) of Part D of Schedule 4 to this Agreement; (ii) works under contracts not exceeding \$350,000 equivalent, excluding those referred to in paragraph 1 (a) (v) of Part D of Schedule 4 to this Agreement; (iii) services of consulting firms under contracts not exceeding \$75,000 equivalent; and (iv) services of individual consultants under contracts not exceeding \$20,000 equivalent, all 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 continue to assist the Borrower in: (i) implementing its basic and secondary education reform program with a view to improve the quality and efficiency of basic and secondary education; and (ii) improving access to upper-basic and secondary education.

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: Strengthening of Education Delivery

Carrying out of a program designed to assist the MES in improving the education delivery mechanisms, specifically, through the implementation of quality- and efficiency-related measures consisting of the following:

1. Strengthening of the Borrower's national education performance evaluation and assessment system by means of institutional support to the MES's central and regional evaluation services and to the INSE, including the rehabilitation of a library and the provision of equipment, computer systems, books, local and overseas training and consultants' services.
2. Promotion of effectiveness-enhancing teaching and training practices among about twenty-five thousand (25,000) upper-basic and secondary education teachers, about three hundred (300) central and regional inspectors and pedagogic counsellors, about seven hundred (700) school directors and about one hundred (100) central and regional MES staff, particularly through the provision of local and overseas training and consultants' services.
3. Strengthening of the MES' central and regional administration and planning services so as to improve the information and feedback mechanisms among the different decision-making levels in education, primarily through the development and implementation of a Management Information System designed to assure a suitable linkage among the central and regional MES administrative services, about twenty-three (23) DREs and about three hundred eighty (380) secondary education schools (lycees), and the provision of the equipment, local and overseas training and consultants' services as required therefor.

Part B: Enhancement of Education Infrastructure

1. Construction of about thirty (30) upper-basic education schools and about forty-four (44) secondary education schools, including six (6) boarding facilities therein, in under-served areas.
2. Rehabilitation of selected basic education and secondary education schools in areas with demonstrated need therefor and of about two hundred (200) computer laboratories in secondary education schools (lycees), and establishment of a preventive school maintenance system within the DBE, including provision of equipment, overseas training and consultants' services as required therefor.
3. Carrying out of a program to reinforce the pedagogic capabilities of about three hundred eighty (380) selected secondary schools (lycees) and to support the CNM and INBMI, comprising provision of: (i) pedagogic books and subscriptions, local training to librarians and consultants' services to reinforce libraries in twenty-three (23) CREFOCs and about three hundred eighty (380) secondary schools (lycees); (ii) computer equipment, local and overseas training, and consultants' services as required to support the INBMI in the development of computer science in secondary education schools;

(iii) pedagogic equipment to sustain the application of education curricula at the level of upper-basic education and secondary education; and (iv) equipment, training and consultants' services to the CNM to assist it in enhancing its use and maintenance of pedagogic equipment in upper-basic education and secondary education schools.

* * *

The Project is expected to be completed by December 31, 1999.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each March 1 and September 1	
Beginning on March 1, 2000 through March 1, 2011	4,095,000
And on September 1, 2011	4,115,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years	0.35

before maturity	
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

2. To the extent practicable, contracts for office and education equipment, desktop computers, books and resource materials shall be grouped into bid packages estimated to be attractive to suppliers.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the Republic of Tunisia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Local Competitive Bidding

1. (i) Goods, including pedagogical equipment and pedagogical materials, estimated to cost the equivalent of \$350,000 or less per contract, up to an aggregate amount equivalent to \$4,700,000; (ii) furniture for the INSE documentation center; and (iii) works, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

Local Shopping

2. Goods estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$4,100,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three (3) suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

Direct Contracting

3. Contracts for: (i) goods which the Bank shall have agreed are of a proprietary nature, up to an aggregate amount equivalent to \$4,800,000, may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Bank; and (ii) civil works for the rehabilitation of schools under Part B.2 of the Project estimated to cost the equivalent of \$30,000 or less per contract, up to an aggregate amount equivalent to \$4,000,000, and for which the Borrower shall have obtained bids from at least three (3) contractors, may be awarded after direct negotiations with contractors, in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to: (i) each contract for goods to be awarded under Part A hereof estimated to cost the equivalent of \$350,000 or more; (ii) each contract for goods to be awarded under Part C.1 hereof estimated to cost the equivalent of \$250,000 or more; (iii) the first two (2) contracts for goods to be awarded under Part C.1 hereof, regardless of the price; (iv) each contract for works to be awarded under Part C.1 hereof estimated to cost the equivalent of \$1,500,000 or more; and (v) the first three (3) contracts for works for the execution of Part B.1 of the Project, regardless of the price, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contracts are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contracts required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract for works to be awarded under Part C.1 hereof estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 (b), 2 (c), 2 (d) and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(c) With respect to each contract not governed by the preceding paragraphs, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(d) The provisions of the preceding subparagraph (c) shall not apply to contracts on account of which withdrawals are to be made on the basis of statements of expenditure.

2. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants (i) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (ii) who shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents

have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (i) contracts for the employment of consulting firms estimated to cost less than \$75,000 equivalent each; or (ii) contracts for the employment of individuals estimated to cost less than \$20,000 each. However, said exceptions to prior Bank review shall not apply to: (i) the terms of reference for such contracts; (ii) single-source selection of consulting firms; (iii) assignments of a critical nature, as reasonably determined by the Bank; (iv) amendments to contracts for consulting firms raising the contract value to \$75,000 equivalent or above; or (v) amendments to contracts for the employment of individual consultants raising the contract value to \$20,000 equivalent or above.

SCHEDULE 5

Implementation Program

Section A: Institutional Arrangements

1. Ministry of Education and Sciences (MES)

The MES shall have overall responsibility for implementation and oversight of the Project.

2. Project Management Unit (PMU)

(a) For the purposes of ensuring the proper coordination and execution of the Project, a PMU shall be established within the MES. A Project Management Committee headed by a Project Director shall be established within the PMU and shall include representatives from each of the Project implementing agencies referred to in paragraph 3 of this Section A and technical specialists in adequate number and with qualifications and experience satisfactory to the Bank. Specifically, the Borrower shall take all adequate measures to ensure that the PMU is maintained throughout the period of Project implementation under terms of reference satisfactory to the Bank and is provided with staff, financial and physical resources adequate to carry out its responsibilities.

(b) The PMU shall be vested specific responsibility for, inter alia: (i) timely and prompt planning and implementation of Project activities; (ii) closely monitoring progress in the implementation of Project activities and, as necessary, promptly taking up with the MES any potential constraints hindering Project execution; (iii) liaising with the Borrower's implementing agencies and the Bank; (iv) financially monitoring the Project, including Project expenditures and Project costs; (v) collecting, gathering and consolidating Project evaluation reports from the Project implementing agencies, and, on those bases, preparing the annual and mid-term Project progress reports for submission to the MES', the Project implementing agencies' and the Bank's review, not later than September 30 in each Fiscal Year; (vi) jointly preparing and carrying out with the Bank the annual and mid-term Project implementation reviews referred to in Section C hereof; and (vii) advising on, and overseeing, procurement of goods and services required for the Project and ensuring compliance with the Bank's Guidelines thereon.

3. Project Implementing Agencies

The Borrower shall take all required steps to ensure that specific implementation responsibilities shall be assigned and executed as follows, precisely, that: (i) Part A.1 of the Project is carried out by the DGFC in collaboration with the INSE; (ii) Part A.3 of the Project is carried out by the DPSI; (iii) coordination and implementation of all training activities are carried out by the DGFC; (iv) the DBE carry out the civil works required for the Project and assure the acquisition of equipment for Part B.3 of the Project; (v) Project activities designed to strengthen the MES' capabilities to maintain equipment are the responsibility of the DBE; and (vi) Project activities to strengthen computer teaching are coordinated and implemented by the INBMI; in all cases, with the required assistance of the relevant

services of the MES as provided in the Borrower's Decree No. 92-1929 dated November 2, 1992.

Section B: Project Monitoring and Evaluation

1. The Borrower shall cause the PMU and each Project implementing agency:

(a) to maintain operational procedures adequate to enable them to monitor and evaluate, in accordance with the Impact Indicators, the progress achieved by the Borrower in carrying out the Project; and

(b) to prepare and furnish to the MES, not later than September 15 in each Fiscal Year beginning with its Fiscal Year after the Fiscal Year ending on December 31, 1994, a Project evaluation report, in accordance with the evaluation guidelines established for the relevant evaluation period pursuant to the provisions of Section C (a) (iv) hereof, on the Project activities for which the PMU or the Project implementing agency, as the case may be, is responsible.

2. With a view to allow the timely execution of the monitoring and evaluation activities described in paragraph (1) above, the Borrower shall define, or cause to be defined, to the satisfaction of the Bank: (i) not later than December 31, 1994, the Baseline Values necessary for the application of five (5) of the Impact Indicators; (ii) not later than December 31, 1995, the Baseline Values necessary for the application of four (4) additional Impact Indicators; (iii) the Baseline Values necessary for the application of eight (8) further Impact Indicators upon the completion of the studies necessary therefor; and (iv) not later than December 31, 1996, the Target Values necessary for the application of nineteen (19) of the Impact Indicators.

Section C: Project Implementation Reviews

(a) The Borrower shall cause the PMU to prepare and submit to the MES, the Project implementing agencies and the Bank, not later than September 30 in each of its Fiscal Year beginning with its Fiscal Year after the Fiscal Year ending on December 31, 1994, a report, of such scope and in such detail as the Borrower and the Bank shall have agreed, on, inter alia: (i) the progress achieved by the Borrower in carrying out the Project during the preceding Fiscal Year or previous mid-term Project implementation period, as the case may be, with special focus on Project achievements measured on the basis of the Impact Indicators and the agreed Project objectives and time schedule; (ii) proposed revisions to be introduced to the Impact Indicators; (iii) a detailed review of incurred and prospective annual recurrent and investment expenditures for implemented activities; (iv) guidelines for the preparation of the Project evaluation reports referred to in Section B (b) hereof; and (v) as applicable, a proposed annual Project implementation work program for the following Fiscal Year, including a detailed breakdown of the Borrower's and the Bank's financing share necessary therefor, or/and a proposal for restructuring any component of the Project;

(b) Not later than October 31 in each Fiscal Year, the MES and the Bank shall exchange views on, respectively, the progress reports for the preceding Fiscal Year or the previous mid-term Project implementation period; and

(c) Promptly thereafter, the Borrower shall: (i) cause the PMU to introduce such modifications into the annual and mid-term progress reports, as the case may be, and the Impact Indicators, as shall have been agreed upon with the Bank, and to submit the finalized reports to the Bank not later than December 31 in each Fiscal Year; and (ii) take all action which the MES and the Bank shall have agreed is required on the part of the Borrower to ensure the successful and timely implementation of the Project and to achieve the objectives thereof.

Section D: Criteria for Site Selection for Schools

(a) In order to maximize the benefits to be derived from the Project, the Borrower shall at all times select (i) sites for the construction of schools under Part B.1 of the Project; and (ii) basic education schools and secondary education schools to be rehabilitated under Part B.2 of the

Project, so as to locate and rehabilitate the schools where: (A) the projected need of additional pupil-places is the highest; and/or (B) the overall and female enrollment rates are the lowest.

(b) Furthermore, the Borrower shall take all measures necessary to ensure that the basic education schools and secondary education schools located in the areas (A) and (B) of paragraph (a) above are provided at all times with adequate boarding facilities, as the same shall be deemed necessary by the Borrower.

Section E: Procurement and Consultants' Services

In order to assure a timely start-up of Project implementation activities, the Borrower shall submit, or cause to be submitted, to the Bank for its review and approval, in accordance with the provisions of Section 3.02 of this Agreement:

(a) not later than June 30, 1995: (i) the proposal evaluations and evaluation reports for the consultants' services required to carry out Parts A.1 and A.3 of the Project; and (ii) proposed awards for two (2) bids for the supply of instructional materials required under Part B.3 of the Project; and

(b) not later than September 30, 1995, the report on the evaluation and comparison of bids for proposed awards for three (3) bids for construction of civil works required for the schools under Part B.1 of the Project.

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, works 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 \$4,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 a deposit or deposits 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 in 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; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, 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.