

CONFORMED COPY

LOAN NUMBER 3106 JO

(Human Resources Development
Sector Investment Loan)

between

HASHEMITE KINGDOM OF JORDAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 18, 1989

LOAN NUMBER 3106 JO

LOAN AGREEMENT

AGREEMENT, dated August 18, 1989, between the HASHEMITE KINGDOM OF JORDAN (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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 Bank to assist in the financing of the Project;

(B) the Borrower intends to contract from The Japan Overseas Economic Cooperation Fund (OECF) and from The United Kingdom Overseas Development Administration (ODA) (OECF and ODA hereinafter referred to collectively as the Cofinanciers) loans in an aggregate amount equivalent to about seventy-four million four hundred thousand dollars (\$74,400,000) (Cofinanciers' Loans) to assist in financing part of the Project on terms and conditions set forth in agreements (Cofinanciers' Loan Agreements) to be entered into between the Borrower and the Cofinanciers; and

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 last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this 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) "Sector Development Program" means the Borrower's program set forth in a letter dated August 18, 1989 to improve the quality of basic and secondary education through restructuring the school system, improving the quality of instruction, and strengthening the institutional capacity to sustain reform in the education sector;

(b) "Action Plan" means the Borrower's 1989-92 plan of actions and performance targets set forth in a letter dated June 22, 1989, for the first phase of its Sector Development Program, as the same may be revised from time to time in accordance with the provisions of Section 3.01 (b) of this Agreement;

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

(d) "HCC" means the Higher College of Certification, to be established under Part A (3) of the Project;

(e) "HCST" means the Higher Council for Science and Technology, established and operating pursuant to Law No. 30 of 1987;

(f) "NCERD" means the National Center for Educational Research and Development, established by HCST pursuant to Article 7 of Law No. 30 of 1987;

(g) "VTC" means the Vocational Training Corporation, established and operating pursuant to Law No. 11 dated January 12, 1985;

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

(i) "MOHE" means the Ministry of Higher Education of the Borrower;

(j) "UJ" means the University of Jordan, established and operating pursuant to Law No. 34 dated September 1, 1962;

(k) "YU" means Yarmouk University, established and operating pursuant to Law No. 9 dated January 21, 1976;

(l) "MU" means Mu'tah University, established and operating pursuant to Law No. 11 dated March 22, 1981;

(m) "Policy Council" means the Council established and operating pursuant to Letter No. 75/1011/3131, dated March 9, 1988, from the Office of the Prime Minister, and to be maintained pursuant to Paragraph 1 (a) of Schedule 5 to this Agreement;

(n) "Technical Unit" means the unit of the Policy Council established within HCST, and referred to in Paragraph 2 (a) of Schedule 5 to this Agreement; and

(o) "Sub-project" means a specific investment project under the Project and included in the following national programs: Educational Facility Improvement, Textbook Development, Teacher and Supervisory Staff Training, Vocational Training Expansion, Educational Technology or Educational Research and Development, to be carried out by MOE, MOHE, UJ, YU, MU, VTC or HCST.

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 seventy-three million dollars (\$73,000,000), 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 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 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, 1994 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 per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of 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 for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on February 1 and August 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: (i) shall carry out Parts A (1), A (2), A (3), A (5) and B (1) of the Project through MOE and Part A (3) of the Project through MOHE; and (ii) shall cause UJ, YU and MU to carry out Part A (3) of the Project, VTC to carry out Part A (4) of the Project, and HCST to carry out Part B (2) of the Project, all with due diligence and efficiency and in conformity with appropriate educational, administrative and financial practices.

(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 Sector Development Program, the Action Plan and the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. (a) The Borrower shall enter into agreements with UJ, YU and MU satisfactory to the Bank, providing, inter alia, for: (i) the institutional and operational arrangements to be undertaken by UJ, YU and MU for the preparation, approval and execution of the Sub-projects; (ii) their obligation to carry out the Sub-projects with due diligence and efficiency and in accordance with appropriate educational, administrative and financial practices; and (iii) the establishment and operation of separate records and accounts adequate to reflect in accordance with sound accounting practices the operation, resources and expenditures in respect of each Sub-project.

(b) Except as the Bank shall otherwise agree, the Borrower shall not amend or fail to enforce the provisions of the agreements referred to in paragraph (a) of this Section.

Section 3.03. (a) The Borrower shall: (i) cause the Technical Unit to appraise the Sub-projects in accordance with guidelines, criteria and procedures acceptable to the Bank; and (ii) cause the Policy Council to review each of the Sub-projects, and upon approval of said Policy Council, to refer the Sub-projects to the Ministry of Planning, following for such purposes guidelines, procedures and criteria acceptable to the Bank.

(b) The Borrower shall present to the Bank for approval not later than one month prior to the scheduled start of implementation: (i) all Sub-projects the implementation of which is scheduled to commence during the one-year period commencing after the Effective Date of this Loan Agreement; (ii) Sub-projects the implementation of which is scheduled to commence after June 30, 1990 and which the Bank has selected for review.

(c) The Borrower shall: (i) when presenting a Sub-project to the Bank for approval pursuant to the provisions of paragraph (b) above, furnish to the Bank an appraisal report concerning the Sub-project, substantially in the form as the Bank shall request, including the cost and the benefits to be derived from the Sub-project and other items of information for such purposes as the Bank shall reasonably request; and (ii) in respect of Sub-projects not requiring prior Bank approval pursuant to the provisions of paragraph (b) above, retain all data presented for purposes of obtaining the Policy Council's approval pursuant to subparagraph

(a) (ii) above, and shall enable the Bank's representatives to examine such data and provide the Bank with all such information in respect of such Sub-projects as the Bank shall reasonably request.

(d) The Borrower shall not permit a change to be made in the scope of a Sub-project which has been approved by the Policy Council or the Bank pursuant to the provisions of paragraphs (a), (b) and (c) above without the concurrence of the Policy Council or the Bank, as the case may be.

Section 3.04. 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 six months after the end of each such year a certified copy of 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 such records, 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, 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 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

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified, namely, that:

(a) The Cofinanciers' Loan Agreements shall have failed to become effective by March 30, 1990, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(b) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any of the Cofinanciers' Loans shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

(B) any of the Cofinanciers' Loans shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. 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 Cofinanciers' Loan Agreements have been duly signed by the Borrower and the Cofinanciers.

Section 6.02. 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 VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Planning 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:

Minister of Planning
P.O. Box 555
Amman
Hashemite Kingdom of Jordan

Cable address:

MINISTRY OF PLANNING
Amman

Telex:

21319 JO

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

440098 (ITT),
248423 (RCA) or
64145 (WUI)

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.

HASHEMITE KINGDOM OF JORDAN

By /s/ Hussein Hammami

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ H. E. Kopp

Acting Regional Vice President
Europe, 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
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(1) Works and supervisory services under Part A of the Project	59,600,000	65%
(2) Printing and supplies under Part A (2) of the Project	3,200,000	50%
(3) Consultants' services and fellowships	4,700,000	100% of foreign expenditures and 90% of local expenditures
(4) Unallocated	5,500,000	
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TOTAL	73,000,000	

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 for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made: (a) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$3,000,000, may be made on account of payments made for Categories (1) and (3) before that date but after January 1, 1989; and (b) in respect of Sub-projects requiring prior approval of the Bank pursuant to Section 3.03 (b), unless the Bank shall have notified the Borrower that the Sub-project has been approved.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in improving the quality of basic and secondary education and to strengthen the institutions and operations of the education sector through implementation of the first phase in 1989-92 of its Sector Development Program.

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: National Programs Involving Civil Works

(1) Educational Facility Improvement. Carrying out a program of construction of basic education and secondary level schools throughout Jordan.

(2) Textbook Development. Carrying out a program to improve development, production and utilization of textbooks, including establishment of a Textbook Publishing Unit in the MOE; design, construction and equipping of a national warehousing and distribution system; introduction and testing of textbooks in the basic education level; and staff development.

(3) Teacher and Supervisory Staff Training. Carrying out a training program, including upgrading the academic qualifications of basic and secondary education teachers; providing in-service training to basic and secondary education teachers, principals,

supervisors and other staff through expansion of the capacities of MOE; providing certification training of basic and secondary education teachers, supervisors and administrators through establishment of HCC and expansion of the facilities and capacities of UJ, YU and MU; providing pre-service training of basic education teachers through expansion of the facilities and capacities of UJ, YU and MU; and staff development.

(4) Vocational Training Expansion. Upgrading existing vocational training centers; carrying out a study of prospective demand for vocational training and existing capacity of vocational training centers; carrying out a vocational training action program; and staff development.

(5) Educational Technology. Carrying out an educational technology program through construction of specialized facilities in existing schools, including libraries, laboratories, and audio-visual rooms; training of teachers and specialized staff in the effective utilization of laboratories, libraries, audio-visual facilities, workshops, learning resource centers; developing pilot educational television programs; and staff development.

Part B: Other National Programs

(1) Basic and Secondary School Curriculum Development. Carrying out a program to revise basic and secondary curricula, including development of higher cognitive skills and abilities; increased emphasis on experimentation and practical applications; modernization of curriculum content; introduction of greater flexibility and responsiveness to individual learning abilities and interests; and staff development.

(2) Educational Research and Development. Establishing the NCERD; strengthening institutional capacity to sustain reform in the education sector; carrying out policy-based sector research; developing NCERD's capabilities for continuous evaluation of all aspects of the educational system and reform program; and staff development.

* * *

The Project is expected to be completed by December 31, 1992.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each February 1 and August 1 beginning February 1, 1995 through February 1, 2006	3,040,000
On August 1, 2006	3,080,000

* 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 (ex-

pressed 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 before maturity	0.35
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 and works 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 1985 (the Guidelines).

2. To the extent practicable, contracts for works under Part A of the Project shall be grouped in bid packages each estimated to cost an amount equivalent to \$4,000,000.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), goods manufactured in Jordan 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

1. Contracts for works under Part A of the Project estimated to cost less than the equivalent of \$4,000,000 per contract, up to an aggregate amount not to exceed the equivalent of \$73,500,000 may be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Contracts for printing under Part A (2) of the Project estimated to cost less than the equivalent of \$500,000 per contract, up to an aggregate amount not to exceed the equivalent of \$6,000,000 may be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory 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 the first contract for the construction of civil works under Part A of the Project awarded on the basis of competitive bidding, advertised locally, each contract for the construction of civil works under Part A of the Project estimated to cost the equivalent of \$4,000,000 or more and each contract for the printing of textbooks under Part A (2) of the Project estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 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.

(b) With respect to each contract not governed by the preceding paragraph, 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.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants 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.

SCHEDULE 5

Implementation of the Project

1. (a) For the purpose of ensuring the proper coordination and execution of the Sector Development Program and the Project, the Borrower shall continue to maintain the Policy Council, with representation from the HCST, the Ministry of Planning, the MOE, the MOHE, and the VTC.

(b) The functions of said Policy Council shall include, inter alia, responsibility for investigation and recommendation of solutions to issues arising in the course of carrying out the Sector Development Program and the execution of the Project.

2. (a) For the purpose of ensuring the proper supervision of the execution of the Sector Development Program and the Project, the Borrower shall continue to maintain the Technical Unit established within HCST with organization, staffing and terms of reference satisfactory to the Bank.

(b) The Technical Unit shall be vested with the responsibility for:

- (i) appraisal of Sub-projects;
- (ii) coordination of the implementation of activities

included in the Project;

- (iii) monitoring of the Sector Development Program and Project execution; and
- (iv) preparation of the reports referred to in Section 9.07 of the General Conditions, and of the reports referred to in paragraphs 7 and 8 of this Schedule.

3. The Borrower shall provide to the Bank for its review and comments, by June 30, 1989, terms of reference for an education finance study to identify, evaluate and recommend opportunities for cost savings and cost recovery to be carried out under Part B (2) of the Project, and shall, by December 31, 1989, review with the Bank the findings and recommendations of such study and the measures proposed by the Borrower to be taken on the basis of such recommendations. The Borrower shall, by March 31, 1990, carry out on the basis of such recommendations and exchange of views, a program to achieve cost savings and cost recovery in the education sector.

4. The Borrower shall provide to the Bank for its review and comments, by September 30, 1989, terms of reference for the study of demand for vocational training referred to in Part A (4) of the Project, and shall by April 30, 1990, review with the Bank the findings and recommendations of such study and the measures proposed by the Borrower to be taken on the basis of such recommendations. The Borrower shall, by July 31, 1990, carry out a vocational training action program agreed to by the Bank and the Borrower.

5. (a) Before October 31 in each of its fiscal years, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, review whether the budgets in respect of the current fiscal year and the next following fiscal year include allocations sufficient to meet the requirements of the Sector Development Program for the respective fiscal years, and shall furnish to the Bank a copy of such review upon its completion.

(b) If any such review shows that the Borrower would not meet the requirements set forth in sub-paragraph (a) above for the Borrower's fiscal years covered by such review, the Borrower shall extend the implementation period of the Sub-projects for educational facility improvement under Part A (1) of the Project.

6. The Borrower shall take all measures necessary to ensure that all fellowships included in the Project are awarded on the basis of eligibility criteria and procedures satisfactory to the Bank.

7. Without limitation upon the provisions of Section 9.07 of the General Conditions, the Borrower shall cause the Technical Unit to prepare and furnish to the Bank not later than June 30 of each year a progress report, in form and substance agreed to between the Bank and the Borrower, on the conclusions and recommendations indicated by the monitoring and evaluation activities performed pursuant to paragraph 2 (b) of this Schedule, including subsequent years' programs and any proposed revisions to be introduced into the Sector Development Program. Promptly thereafter, the Borrower and the Bank shall exchange views thereon.

8. Without limitation upon provisions of Section 9.07 of the General Conditions:

(a) the Borrower and the Bank shall, not later than January 31, 1991, hold a mid-term exchange of views on the progress achieved in the carrying out of the Sector Development Program and the Project and the actions described in the Action Plan; and

(b) prior to such mid-term exchange of views, the Borrower shall prepare, through the Technical Unit, and furnish to the Bank

for its review and comments, a report on the progress achieved in the carrying out of the Sector Development Program and the Project, in such detail as the Bank shall reasonably request.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) 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 \$6,000,000 to be withdrawn from the Loan Account and deposited into 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 made 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.

