

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 3865 GH

Development Credit Agreement

(Education Sector Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 16 , 2004

CREDIT NUMBER 3865 GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 16 , 2004, between REPUBLIC OF GHANA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received the following documents: (i) a letter from the Borrower, dated January 5, 2004, describing a program designed to strengthen the efficiency and management of the education sector, and ensure equitable access to quality education services at all levels (the Program) and declaring the Borrower's commitment to the execution of such program; and (ii) a Five-Year Action Plan in the pre-tertiary sector dated January 5, 2004, from the Borrower, which describes a program of actions, objectives and policies designed to implement activities under the Program for Fiscal Years 2004-2009;

(B) the Borrower intends to contract from the Department for International Development a grant to assist in financing Part B of the Project;

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

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), (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) "Affected Person" means a person who on account of the acquisition of land, for purposes of construction of education facilities under the Program had or would have his or her: (i) standard of living adversely affected; or (ii) right, title or interest in

any house, or interest in or right to use any land (including premises, agricultural and grazing land) or right in annual or perennial crops and trees or any other fixed or movable asset, acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently, and "Affected Persons" means, collectively, all persons who qualify as an Affected Person;

(b) "Annual Program of Work" means the annual program of activities included in Part B of the Project to be carried out in each Fiscal Year (as hereinafter defined), as agreed upon between the Borrower and the Association;

(c) "AFMS Manual" means the Accounting and Financial Management Systems Manual of the MOEYS (as hereinafter defined) issued on January 5, 2004 that sets out the financial management arrangements, organization structure (including internal audit function), staffing, standard accounting forms, books, ledgers for the implementation of activities under the Program;

(d) "BMC" means a Budget and Management Center, certified as having the capacities of carrying out financial management and procurement responsibilities under the Program at district, regional and national levels;

(e) "DEO" means the Ghana Education Service District level Office;

(f) "Environmental and Social Management Framework" means the set of mitigation, enhancement, monitoring, and institutional measures dated January 6, 2004 to be taken during implementation of the Project to eliminate any adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts;

(g) "Financial Monitoring Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(h) "Fiscal Year" or "FY" means the twelve-month period beginning January 1 and ending December 31 of each year;

(i) "Ghanaian Cedi" and "C" mean the currency of the Borrower;

(j) "GES" means the Ghana Education Service, an agency of the Borrower established pursuant to Law No. 506 of 1995;

(k) "MOEYS" means the Borrower's Ministry of Education, Youth and Sports;

(l) "NCTE" means the National Council for Tertiary Education, an agency of the Borrower established pursuant to Law No. 454 of 1993;

(m) "NIRP" means the National Institutional Renewal Program;

(n) “Procurement Manual” means the manual referring to the national and sectoral rules and procedures for national competitive bidding, standard bidding documents, and a negative list that identifies items that are not eligible for financing (including expenditures for personnel emoluments under Government Classification Item 1), as shall have been agreed with the Association for purposes of the implementation of activities under the Program, as same may be amended from time to time with the prior agreement of the Association, and such term includes any schedules to the Procurement Manual;

(o) “Project Operational Manual” means the manual, dated January 5, 2004, specifying the managerial, financial, administrative policies and procedures for the execution of the Project; as the same may be amended from time to time with the agreement of the Association;

(p) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on February 20, 2003 and on behalf of the Borrower on March 10, 2003;

(q) “Resettlement Policy Framework” means the Resettlement Policy Framework, dated August 20, 2003, which sets out a framework of principles and procedures governing land acquisition, resettlement and compensation, as well as reporting and monitoring arrangements to ensure compliance with said framework, as said framework may be revised from time to time with the agreement of the Association;

(r) “Special Accounts” means the accounts referred to in Section 2.02 (b) of this Agreement;

(s) “TALIF Subproject” means any activity under Part C of the Project to: (i) to encourage relevance, quality and innovation; (ii) to promote access and equity in tertiary education; (iii) to restore conditions for financial sustainability; and (iv) to mitigate the threat of HIV/AIDS; and to be financed out of the proceeds of the Credit; and

(t) “TALIF Executive Committee” means the committee headed by the Chairperson of the NCTE, and consisting of selected members of the NCTE.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to fifty two million seven hundred thousand Special Drawing Rights (SDR 52,700,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services; (ii) amounts paid (or, if the Association shall so agree, to be paid) by the Borrower in respect of withdrawals made under Part B of the Project to meet the reasonable cost of works, goods and services required under a Program of Work; and (iii) amounts paid (or, if the Association shall so agree, to be paid) by the Borrower on account of withdrawals made under Part C of the Project to meet the reasonable cost of works, goods and services required for the TALIF Subprojects in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars three separate special deposit accounts (the MOEYS Special Account, the GES Special Account, and the NCTE Special Account) in a commercial bank or commercial banks on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, each respective Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be October 31, 2009 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or

in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

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

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

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 1 and September 1 commencing September 1, 2014 and ending March 1, 2044. Each installment to and including the installment payable on March 1, 2024 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and

outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate educational, administrative and pedagogic practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

Section 3.04. In carrying out the Project, the Borrower shall, until completion of the Project, maintain a system, satisfactory to the Association, which shall provide for the

flow of funds to MOEYS, GES, NCTE and the BMCs for the purposes of carrying out parts of the Project in their areas.

Section 3.05. The Borrower, through MOEYS, shall:

(a) carry out the Environmental and Social Management Framework, and prior to construction and rehabilitation of education facilities, establish environmental impact assessment and mitigation procedures satisfactory to the Association for the design and procurement of such works; and

(b) prior to construction of any education facilities under the Program which would displace any Affected Persons or adversely affect their standards of living, or their rights, usufructs or customary rights to land or other resources under the Project, ensure that:

- (i) all rights to land, rights, usufructs or customary rights and other property are allocated or acquired, compensation therefor is paid, and resettlement is carried out in accordance with the principles and institutional procedures established in the Resettlement Policy Framework;
- (ii) ensure that Affected Persons shall be compensated, resettled and rehabilitated in accordance with the Resettlement Policy Framework;
- (iii) prepare and furnish to the Association, for each educational facility where there are Affected Persons, a detailed resettlement action plan acceptable to the Association;
- (iv) document the implementation arrangements for resettlement, including compensation, relocation and rehabilitation of Affected Persons; and
- (v) carry out such resettlement action plan in a manner satisfactory to the Association.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower, through MOEYS, GES, NCTE and the BMCs, shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project and the Program of the BMCs, departments or agencies of the Borrower responsible for carrying out the Project, the Program or any part thereof.

(b) The Borrower shall cause MOEYS, GES, NCTE and the BMCs:

- (i) to have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Accounts, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made, audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Financial Monitoring Reports or on the basis of statements of expenditure, the Borrower shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last

withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) The Borrower shall cause MOEYS, GES and NCTE to prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which: (i) sets forth sources and uses of funds for the Project and Program, both cumulatively and for the period covered by said report, showing funds provided under the Credit Account, and explains variances between the actual and planned uses of such funds; (ii) describes physical progress in Project and Program implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project and Program implementation; and (iii) sets forth the status of procurement under the Project and the Program and expenditures under contracts financed out of the Credit Account, as at the end of the period covered by said report.

(b) The first FMR, in form and substance satisfactory to the Association, shall be furnished to the Association not later than six months after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Program through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than six months after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) 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

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance and Economic Planning 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:

Minister of Finance and Economic Planning
Ministry of Finance and Economic Planning
P.O. Box M40
Accra, Ghana

Cable address:	Telex:	Facsimile:
ECONOMICON Accra	2205 MIFAEP GH	233-21-667069 233-21-663854

For the Association:

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

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

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

REPUBLIC OF GHANA

By /s/ Yaw Osafo-Maafu
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mats Karlsson
Country Director For Ghana
Africa Region

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods		100% of foreign expenditures and 90% of local expenditures
(a) MOEYS	2,400,000	
(b) GES	350,000	
(c) NCTE	350,000	
(2) Consultants' services and training		90%
(a) MOEYS	4,100,000	
(b) GES	350,000	
(c) NCTE	350,000	
(3) Annual Programs of Work under Part B of the Project	19,300,000	100% of amounts disbursed
(4) Subprojects under Part C of the Project	19,600,000	100% of amounts disbursed
(5) Operating Costs		90%
(a) MOEYS	350,000	
(b) GES	200,000	
(c) NCTE	200,000	
(6) Refunding of Project Preparation Advance	350,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	4,800,000	
	<u>=====</u>	
TOTAL	<u>52,700,000</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;

(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; and

(c) the term “Operating Costs” means incremental expenses incurred on account of office supplies, staff allowances, communications and utilities, maintenance of vehicles and office equipment, fuel, spare parts, office rentals, travel and supervision, and special account banking charges, but excluding salaries of officials of the Borrower’s civil service.

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, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 5,270,000, may be made on account of payments made for expenditures before that date but after March 15, 2003; (b) under Category (3), unless such Annual Plan of Work has been approved by the Association in accordance with, and subject to, the provisions of paragraph 3 of Schedule 4 to this Agreement; and (c) under Category (4), unless: (i) the Borrower has completed the financial management action plan; and (ii) such Subproject has been approved by the TALIF Executive Committee in accordance with, and subject to, the provisions of the Project Operational Manual.

4. (a) The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) goods under contracts costing less than \$250,000 equivalent each, (ii) services for consulting firms under contracts costing less than \$100,000 equivalent each, (iii) services for individual consultants under contracts costing less than \$50,000 equivalent each, (iv) Subprojects, training, and Operating Costs, under such terms and conditions as the Association shall specify by notice to the Borrower.

(b) The Borrower may request withdrawals for Annual Programs of Work from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and other information as the Association shall specify by notice to the MOEYS.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) promote equitable access to, and efficient delivery of, quality services in pre-tertiary education; and (b) foster innovation, relevance, quality and efficiency in tertiary education.

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

Part A: Capacity Building

1. Carrying out an analysis of the respective mandates and roles of MOEYS, GES, NCTE, and the other sub-vented agencies in the education sector, developing consensus on an agreed division of labor, and preparing plans for necessary legal or administrative actions required for resolving conflicts, gaps and overlaps in existing arrangements.
2. Carrying out an analysis of the impact of existing and proposed legislation on decentralization to the education sector, preparation of strategies and organizational structures for division of labor within GES headquarters, its regional and district education offices, and development of a human resources plan and management information system adapted to the decentralized sector.
3. Carrying out a program to improve the availability, deployment, utilization and management of resources in the MOEYS and the GES, including: (a) human resources, (b) instructional resources, (c) physical resources, (d) financial resources, and (e) information resources.
4. Assessing the capacities of national, regional and district units of GES, Regional Coordinating Councils and Metropolitan/Municipal/District Assemblies, and designing and implementing a program to strengthen these capacities.

Part B: Pilot Programmatic Scheme

1. Provision of support to eligible DEOs in underserved communities through the GES for activities related to basic education that are included in the Annual Program of Work.
2. Provision of support to eligible DEOs in underserved communities through the GES for activities related to secondary education that are included in the Annual Program of Work.

Part C: Tertiary Education Innovation

Provision of grants by NCTE for the carrying out by tertiary institutions of Subprojects in the following areas: (a) polytechnic curricula quality and relevance; (b) strengthening post-graduate programs; (c) leadership and management development; (d) capacity-building for tertiary distance education; (e) the University of Development Studies; (f) HIV/AIDS prevention and management; and (g) technical strengthening of tertiary oversight bodies.

* * *

The Project is expected to be completed by April 30, 2009.

SCHEDULE 3

Procurement

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

(a) Grouping of contracts

To the extent practicable, contracts for works shall be grouped in bid packages estimated to cost \$500,000 or more each and goods shall be grouped in bid packages estimated to cost \$250,000 equivalent or more each.

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than \$500,000 equivalent per contract and goods estimated to cost less than \$250,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International and National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, may be procured under contracts awarded on the basis of international and national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Spare parts and accessories which must be purchased from the original supplier to be compatible with existing equipment, goods of a proprietary nature, and scientific magazines and journals may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Procurement from UN Agencies

Readily available off-the-shelf goods estimated to cost less than \$75,000 equivalent per contract may be procured from IAPSO and UNICEF in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Community Participation

Goods and works required for Parts B and C of the Project shall be procured in accordance with procedures acceptable to the Association.

6. Procurement of Small Works

Works under Parts B and C of the Project estimated to cost less than \$100,000 equivalent per contract, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from at least three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest evaluated price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for works estimated to cost the equivalent of \$500,000 or more and goods estimated to cost the equivalent of \$250,000 or more, and contracts awarded by direct contracting, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and 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, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

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, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for civil works, engineering and auditors may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$50,000 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.

3. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

4. Commercial Practices

Services to assist in carrying out Subprojects under Parts B and C of the Project may be procured in accordance with commercial practices acceptable to the Association.

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

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

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

SCHEDULE 4

Implementation Program

1. (a) The Borrower shall maintain the Steering and Oversight Committee, which shall include the Director General of GES, the Executive Secretary of NCTE, and the Chief Director of the MOEYS.

(b) The Campus Coordinators for TALIF, satisfactory to the Association, shall have assumed their duties within 30 days after the Credit has been declared effective.

(c) Those members of the NCTE Board who will serve as members of the TALIF Executive Committee shall have been notified of their appointment within 30 days after the Credit has been declared effective.

(d) Core members of the specialized TALIF vetting committees shall have assumed their duties within 60 days after the Credit has been declared effective.

(e) MOEYS shall submit to the Association for its review and comments a plan for monitoring and evaluation of the Project and Program, within 90 days after the Credit has been declared effective.

2. (a) The Borrower shall submit to the Association for its review and comments not later than June 1, 2005, a sustainable and equitable financial strategy for the tertiary education sub-sector, including public budget, cost-sharing, scholarship management, a student loan scheme, private contributions, funding formulas, projected internal revenues that is consistent with the Projects' objectives.

(b) Thereafter, the Borrower shall implement such financial strategy in the tertiary education sub-sector, taking the comments of the Association thereon into account.

3. The Borrower shall implement the Program in accordance with the procedures set out in the Project Operational Manual, the Procurement Manual, the AFMS Manual, and, except as the Association shall otherwise agree, the Borrower shall not amend, abrogate or waive any provision thereof if, in the opinion of the Association such amendment, abrogation or waiver may materially and adversely affect the implementation of the Project and the Program.

4. The Borrower shall:

(a) not later than October 31 of each Fiscal Year during the implementation of the Project or such later date as the Association may agree, commencing on October 31, 2004, furnish to the Association for its review each proposed Annual Program of

Work to be carried out in the following Fiscal Year, modified in a manner satisfactory to the Association, taking into account its comments and views on the matter;

(b) carry out, or cause to be carried out, each such Annual Work Program in accordance with the Project Operational Manual, the Procurement Manual, and the AFMS Manual;

(c) not make any material change to the Annual Program of Work without consultation with the Association; and

(d) prepare and furnish to the Association: (i) an operational plan for each Annual Program of Work, setting forth, inter alia, the activities to be carried out, any policy reforms and other measures to be implemented, the expenditures to be incurred, the sources of financing of such expenditures and the procurement plan to be followed; and (ii) an evaluation of the progress made to date in the carrying out of the current activities under the Annual Program of Work on the basis of indicators referred to in paragraph 11 of this Schedule.

5. GES shall be responsible for the preparation and implementation of education budgets for the consolidated activities under Annual Programs of Work and the monitoring of the performance of education services at the BMCs.

6. District education oversight committees established in each district shall be responsible for organizing the provision of education services at the community level in a manner consistent with the terms of reference set forth in the Annual Programs of Work. The teams shall prepare annual plans and budgets for their districts.

7. The regional education monitoring and evaluation teams shall be responsible for providing supervision and logistical support to the districts.

8. The Borrower shall disburse funds to BMCs that have been duly certified as specified in the AFMS Manual pursuant to approved annual plans and budgets. Prior to disbursement of funds to a BMC, the financial controller of GES, in consultation with the Director General of the GES, will certify that the BMC concerned: (a) has taken the necessary measures to strengthen its internal financial management; and (b) is in compliance with the minimum criteria of eligibility for funding;

9. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators agreed upon between the Borrower and the Association, the carrying out of the Project and the Program and the achievement of the objectives thereof; and

(b) furnish to the Association: (i) quarterly financial statements indicating all revenues and expenditures for each BMC, according to the source of funds, the budget

items and a selection of performance indicators agreed upon between the Borrower and the Association; (ii) not later than January 1 of each year of implementation of the Program or such later date as the Association may agree, commencing on January 1, 2005, the annual MOEYS budget that is to be submitted to Parliament; (iii) not later than April 1 of each year of implementation of the Program or such later date as the Association may agree, commencing on April 1, 2005, an annual report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in carrying out the Program during the previous Fiscal Year and setting out the measures recommended to ensure the efficient carrying out of the Program and the achievement of the objectives thereof during the period following such date, and the report of actual expenditures against the budget for the previous Fiscal Year; and (iv) not later than December 31 of each year of implementation of the Program or such later date as the Association may agree, commencing on December 31, 2004, the sector budget to be submitted by MOEYS to the Ministry of Finance and Economic Planning for the following Fiscal Year.

10. The Borrower shall:

- (a) ensure that Subprojects under Part C of the Project shall be carried out in accordance with the requirements and other details set forth in the Project Operational Manual;
- (b) ensure that institutions carrying out Part C of the Project are selected in accordance with the criteria set forth in the Project Operational Manual;
- (c) require that: (i) the works, goods and consultants' services to be financed out of the Subprojects under Part C of the Project shall be procured at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the works and goods and availability of maintenance facilities and spare parts therefore, and, in the case of consultants' services, of their quality and the competence of the parties rendering them; and (ii) such works, goods and services shall be used exclusively in the carrying out of Subprojects; and (d) review with the Association, at such intervals as the Association shall request, the Project Operational Manual, and, based on such reviews, update the same as may be agreed between the Association and the Borrower.

11. The Borrower shall:

- (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Program and Project and the achievement of the objectives thereof;
- (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 1, 2007, a report for the mid-term review

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 Program and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by April 1, 2007, or such later date as the Association shall request, the report referred to in paragraph (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 Association's views on the matter.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term “eligible Categories” in respect of the MOEYS Special Account means Categories (1)(a), (2)(a), and (5)(a); in respect of the GES Special Account means Categories (1)(b), (2)(b), (3), and (5)(b); in respect of the NCTE Special Account means Categories (1)(c), (2)(c), (4), and (5)(c) 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 Credit 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 with respect to the MOEYS Special Account, an amount equivalent to \$1,000,000; with respect to the GES Special Account, an amount equivalent to \$2,000,000; and with respect to the NCTE Special Account, an amount equivalent to \$2,000,000 to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$500,000 in respect of the MOEYS Special Account; an amount equivalent to \$1,000,000 in respect of the GES Special Account; and an amount equivalent to \$1,000,000 in respect of the NCTE Special Account, until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 10,000,000.

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

3. After the Association has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the respective 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 Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

- (b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective Special Account at such intervals as the Association shall specify.
- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to 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 Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective 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 respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit 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 respective Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit 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 Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Association 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 Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of any 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 Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the respective Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into any Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

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