

CONFORMED COPY

CREDIT NUMBER 2719 GUI

Development Credit Agreement

(Equity and School Improvement Project)

between

REPUBLIC OF GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 8, 1995

CREDIT NUMBER 2719 GUI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 8, 1995, between REPUBLIC OF GUINEA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association has received a letter, dated May 5, 1995, from the Borrower describing a program of actions, objectives and policies designed to strengthen the performance of the Borrower's education sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower intends to contract from the United States Agency for International Development (USAID), the African Development Bank (AfDB), the European Union, France (FAC), Japan, and Canada (CIDA) loans and grants in an aggregate amount equivalent to approximately \$78,000,000 to assist in financing the Project on the terms and conditions set forth in the respective loan and grant agreements (the Financing Agreements) to be entered into respectively between the Borrower and USAID, AfDB, the European Union, FAC, Japan, and CIDA;

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, 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) "MEPUFP" means the Ministry of the Borrower responsible for primary and secondary education and vocational training;

(b) "VET" means Vocational Education Training;

(c) "Project Year" means each period of twelve months, beginning from the Effective Date and ending twelve months thereafter.

(d) "Steering Committee" means the education sector management committee established by the Borrower in accordance with the provisions of the Development Credit Agreement (Education Sector Adjustment Credit), dated September 28, 1990, between the Borrower and the Association;

(e) "DAAF" means the Borrower's department responsible for financial and administrative affairs within MEPUFP;

(f) "Project Implementation Manual" means the manual referred to in Section 6.01 (c) of this Agreement which describes arrangements and procedures to be utilized in the implementation of the Project;

(g) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to exchanges of letters dated April 20, 1993 and May 7, 1993 and July 29, 1994 and September 16, 1994, respectively, between the Borrower and the Association; and

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

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty-eight million five hundred thousand Special Drawing Rights (SDR 28,500,000).

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 expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 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 cancelled.

Section 2.03. The Closing Date shall be June 30, 2001 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 cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 payment 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 April 15 and October 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 15 and October 15 commencing October 15, 2005 and ending April 15, 2035. Each installment to and including the installment payable on April 15, 2015 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 gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, 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 terms of repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the Association may revise such modification 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.

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

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

ARTICLE III

Execution of the Project

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

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

(c) Without any limitation upon the generality of the provisions of paragraphs (a) and (b) above, the Borrower shall: (i) allocate sufficient funds in each of its budgets for 1997, 1998 and 1999, for the creation of at least 600 primary school teacher positions for each of the 1997/98, 1998/99 and 1999/2000 school years; (ii) prior to the start of each of the 1997/98, 1998/99, and 1999/2000 school years, recruit not less than 600 additional primary school teachers; and (iii) in each of its budgets for 1997, 1998, and 1999 fiscal years, increase the budget allocation for primary education in accordance with a schedule agreed with the Association and which is designed to ensure that in its budget for fiscal year 2000 and thereafter such allocations shall represent not less than 42% of the operating budget for the education sector.

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. (a) Not later than 30 months after the Effective Date, the Borrower shall conduct, jointly with the Association, a comprehensive review of the implementation of

the Project. Without limitation upon the generality of the foregoing the review shall cover, inter alia: (i) the implementation and management of the Project, (ii) implementation procedures, (iii) progress made in carrying out the Project, (iv) the performance and use of technical assistance personnel and the role of counterpart staff, (v) the status and result of training, (vi) reporting, accounting, and auditing performance, (vii) disbursement and procurement procedures, and (viii) the overall sustainability of the Project.

(b) Not later than three months prior to such review, the Borrower shall furnish to the Association, for its comments, a report, in such detail as the Association shall reasonably request, including: (i) an assessment of the progress achieved in carrying out the various parts of the Project; and (ii) an evaluation of the impact of the Project.

(c) Promptly after said review, the Borrower shall: (i) prepare an action plan satisfactory to the Association based on the recommendations stemming from said review; and (ii) adopt and implement said plan for the further implementation of the Project.

Section 3.04. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

(a) prepare 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, of such scope and in such detail as the Association shall reasonably request, designed to ensure the continued achievement of the objectives of the Project;

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

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

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 Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six (6) 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 Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the

Association shall 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 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 Association has received the audit report for the fiscal year in which the last withdrawal from the Credit 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 Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the 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 Association

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

(a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out; and

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

(A) The right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or

(B) any such loan 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 Association 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 (d) 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 events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) The Borrower has prepared and furnished to the Association draft procurement documents, acceptable to the Association, for all contracts to be awarded pursuant to the provisions of Part A of Section I of Schedule 3 to this Agreement during the first Project Year.

(b) The Borrower has signed all contracts for consultants' services required for the implementation of the Project during the first Project Year in accordance with the provisions of Section II of Schedule 3 to this Agreement.

(c) The Borrower has adopted a Project Implementation Manual, acceptable to the Association, detailing procedures for carrying out the activities under the Project.

(d) The Borrower has employed the independent auditor(s) referred to in Section 4.01 (b) (i) of this Agreement, under terms and conditions acceptable to the Association, including a contract period of at least three years.

(e) The Borrower has recruited 600 additional primary school teachers for the 1995/1996 school year.

(f) The Borrower has employed non-governmental organizations referred to in paragraph 2 of Schedule 4 to this Agreement in accordance with the provisions of said paragraph.

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

Representatives of the Borrower; Addresses

Section 7.01. The Minister of the Borrower responsible for Planning is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Planning
P.O. Box 221
Conakry, Guinea

Facsimile:
412023

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (RCA)
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 GUINEA

By /s/ Boubacar Barry

Authorized Representati

ve

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox

Regional Vice Preside

nt

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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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed	
(1) Civil works		8,400,000 expenditures and expenditures	100% of foreign 75% of local
(2) Equipment, vehicles, furniture and materials		3,400,000	100% of foreign expenditures, and 80% of local expenditures
(3) Textbooks (including distribution)		6,100,000 expenditures	100% of foreign expenditures and 90% of local
(4) Drugs		550,000 expenditures	100% of foreign
(5) Grants under		700,000	95%

Part B.1 of the Project		
Amount of the Credit Allocated (Expressed in CategorySDR Equivalent)	% of Expenditures to be Financed	
(6) Consultants' services, and Training	4,600,000	100%
(7) Operating costs	1,600,000	90%
(8) Refunding of Project Preparation Advance	250,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(9) Unallocated	2,900,000	
<hr/> TOTAL	28,500,000	
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2. For the purpose 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 a country other than that of the Borrower;

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

(c) the term "Operating costs" means incremental recurrent expenditures incurred for the implementation of the Project for staff salaries and travel allowances, office supplies, office communications services, minor office equipment, utilities, fuel, maintenance and insurance of vehicles used for the Project, and primary schools maintenance.

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 Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods, works and services under contracts not exceeding \$150,000 equivalent, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in its efforts to: (a) increase primary school enrollment and completion rates; (b) improve teaching and student learning in primary and lower secondary schools; and (c) strengthen the management of its education system.

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: Increasing Access to Primary Education

1. Construction and Rehabilitation of Primary School Facilities

- (a) Construction and equipping of about 600 new classrooms.
- (b) Rehabilitation and equipping of about 1,200 existing classrooms.
- (c) Carrying out of workshops to familiarize school administrators and communities with issues pertaining to school rehabilitation design, programming and execution.
- (d) Establishment of a School Facilities Emergency Repair and Rehabilitation Fund.

2. Maintenance of School Facilities

- (a) Establishment of a school facilities maintenance scheme and monitoring of its implementation.
- (b) Training of school administrators and communities in school maintenance operations.
- (c) Strengthening the capacity of MEPUPF to program investments for construction and maintenance of school facilities and to oversee their execution.

Part B: Improving Teaching Practices and Students Learning Processes

1. Upgrading Training for Teachers and School Administrators

- (a) Establishment and implementation of a pilot scheme designed to assist primary school teachers and administrators in the development of innovative ways to improve their teaching and school management practices at the local level, including small grants for staff development.
- (b) Monitoring and evaluation of the results of the pilot scheme referred to under paragraph (a) above and organization of workshops to disseminate the best practices derived therefrom and expand the scope of said scheme.

2. Acquisition and Distribution of Textbooks

- (a) Development of procedures to ensure an efficient distribution of textbooks to primary and lower secondary schools and their proper use by teachers.
- (b) Acquisition and distribution of textbooks and teachers guides.

3. Improving Students' Health and Nutrition

- (a) Establishment of a pilot health enhancement scheme designed to provide micronutrient, antihelminths, and a mass treatment of parasitic infection to primary school students.
- (b) Monitoring and evaluation of the pilot health enhancement scheme and organization of workshops to disseminate the said results and to expand the scope of the scheme.

Part C: Strengthening MEPUPF's Administrative and Financial Management and Investments Programming Capacity

1. Capacity to Monitor Students' Scholastic Achievements

- (a) Development of adequate testing instruments designed to measure the scope of knowledge and skills successfully acquired by students at selected grade levels.
- (b) Implementation, and dissemination of results, of

students' achievements testing on a regular basis with the testing instruments referred to under paragraph (a) above; and analysis and publication, in an aggregate form, of the results of the said testing.

2. Establishment of a Communications System

Establishment of an electronic communications network and a radio communications capability for MEPUPF and its decentralized offices.

3. Upgrading the Expertise of MEPUPF's Accounting and Statistics Unit, through the acquisition of required equipment and training of the relevant staff.

4. Promotion of Private Schools and VET Development, through pre-investment studies, workshops and training of MEPUPF staff.

* * *

The Project is expected to be completed by December 31, 2000.

SCHEDULE 3

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), and in accordance with the following additional procedures:

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Association's prior review in accordance with the provisions of Part D of this Section, the Association's prior approval will be required for (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days and (ii) any subsequent extension of the bid validity period.

(b) In the procurement of goods and works 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 Association 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 Association.

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

3. Goods procured in accordance with the provisions of paragraph 1 above shall be exempted from price preshipment inspection by a third party inspection firm.

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 Guinea 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 goods and works estimated to cost the equivalent of \$150,000 or less per contract, up to an aggregate amount equivalent to \$5,000,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Items or groups of items for works estimated to cost the equivalent of \$10,000 or less per contract, up to an aggregate amount equivalent to \$7,600,000, shall be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Items or groups of items for small materials and supplies estimated to cost the equivalent of \$20,000 or less per contract, up to an aggregate amount equivalent to \$1,000,000 may be procured under contracts awarded either: (a) through direct contracting, in accordance with procedures acceptable to the Association; or (b) on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

4. Services for the distribution of textbooks may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for works and goods estimated to cost the equivalent of \$150,000 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 Association pursuant to said paragraph 2 (d) shall be furnished to the Association 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, such 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 Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

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

2. The figure of 15% 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 whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association 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 Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Association.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, this exception to prior Association review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Association; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. The Steering Committee established within MEPUFP will be in charge of the overall coordination of the implementation of the Project. The Technical Secretariat of the Steering Committee will be in charge of the day-to-day coordination of Project activities. The DAAF will be responsible, in cooperation with the Technical Secretariat, for all financial matters related to the implementation of the Project and will prepare annual work programs and budgets. DAAF shall employ an accountant, whose qualifications and experience shall be at all times acceptable to the Association, to be responsible for maintaining Project accounts, preparing and processing disbursement requests, and handling procurement activities. Prior to the end of each Project Year, the Technical Secretariat shall organize a meeting, chaired by the Secretary General of MEPUFP, and with the participation of all departments involved in the implementation of the Project, to review the implementation of the Project during the concerned Project Year, and to adopt the work program for the following Project Year.

2. The Borrower shall carry out Parts A.1 (a) and (b), and Part A.2 (c) through local non-governmental organizations which shall be employed on the basis of the provisions of Section II of Schedule 3 to this Agreement.

3. The Borrower shall: (a) not later than six (6) months prior to the end of the first Project Year, begin the implementation of the pilot program under Part B.1. (a) of the Project; and (b) not later than thirty (30) months after the Effective Date, complete the implementation of the pilot program under Part B.3. (a) of the Project.

4. The eligibility criteria, terms and conditions for making grants under Part B.1 of the Project shall be those which are specified in the Project Implementation Manual.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (7) 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 an amount equivalent to \$1,500,000 to be withdrawn from the Credit Account and deposited in the Special Account 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 \$750,000 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 \$3,000,000.

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

3. After the Association 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 Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the 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 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 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 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 the 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 Account;

(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, less the amount of any outstanding special commitment 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 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 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 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 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 the Special Account shall be made until the Borrower has provided such evidence or

made such deposit or refund, as the case may be.

(b) If the Association 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 Association, refund to the Association such outstanding amount.

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

(d) Refunds to the Association made pursuant to 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.

