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**LOAN NUMBER 7220-TUN**

## **Loan Agreement**

**(Education Quality Improvement Project – Second Phase)**

**between**

**REPUBLIC OF TUNISIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated March 12, 2004**

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**LOAN NUMBER 7220-TUN**

**LOAN AGREEMENT**

AGREEMENT, dated March 12, 2004, between REPUBLIC OF TUNISIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received letters from the Borrower, dated, respectively, April 20, 2000 and December 15, 2003, describing the Borrower's program of actions, objectives and policies (the Program) designed to improve the quality of education in the Borrower's territory, and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower has requested the Bank's support in the execution of the Program through a series of loans over a period of approximately eight (8) years to be utilized by the Borrower in the implementation of the Program, of which the project described in Schedule 2 to this Agreement (the Project) forms the second and last phase; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank, dated September 1, 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) "Beneficiary" means a School Development Association (as this term is hereinafter defined) eligible to receive a Small Grant (as this term is hereinafter defined) for a Sub-project (as this term is hereinafter defined) to be carried out under Parts A.2 (b) and C.1 of the Project;

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

(c) “DGSC” means the Borrower’s General Directorate of Support Services (Direction Générale des Services Communs) within MET (as this term is hereinafter defined);

(d) “Environmental Assessment Procedures” means the Borrower’s procedures, satisfactory to the Bank, furnished by the Borrower to the Bank and defined in the Operations Manual (as this term is hereinafter defined), as said Procedures may be updated from time to time by agreement between the Borrower and the Bank, for the implementation of the Project in accordance with appropriate environmental standards and guidelines, including, inter alia, the procedures governing the preparation of environmental assessments and land acquisition assessments for school construction activities to be carried out under Part D.4 (a) of the Project ;

(e) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(f) “Governorate” means “Gouvernorat”, an administrative jurisdiction of the Borrower, the status of which is defined by a Decree of June 21, 1956, as modified by Law No. 83-104 of December 3, 1983 setting forth the administrative divisions of the Borrower’s territory, as the same may be amended from time to time ;

(g) “MET” means the Borrower’s Ministry of Education and Training, or its successor thereto;

(h) “Midterm Review” means the midterm review to be carried out pursuant to Part F of Schedule 5 to this Agreement;

(i) “Operations Manual” means the manual dated December 15, 2003, at all times satisfactory to the Bank, setting forth, inter alia: (i) the respective roles and responsibilities for the implementation of the Project; (ii) the accounting, financial reporting and auditing arrangements; (iii) the procurement plan; (iv) the monitoring and evaluation procedures including the selected indicators for Project performance; (v) the Environmental Assessment Procedures; (vi) the eligibility criteria and terms and conditions for making Small Grants for Sub-projects; and all other relevant provisions necessary for the carrying out of the Project, as said Manual may be updated periodically by agreement between the Borrower and the Bank;

(j) “Oversight Committee” means the Oversight Committee (Comité de pilotage) established and operating pursuant to a decision dated April 11, 2000, of the Minister of Education and Training;

(k) “Priority Schools Program” means the Borrower’s priority schools program (“Programme des écoles à priorité éducative”) under which selected schools provide educational services to the most academically disadvantaged students;

(l) “Regional Project” means a project developed by a Regional Directorate of Education (Direction Régionale de l’Enseignement) within MET for a given region, with a view to improving the schools’ results within said region in general and the learning outcome of the schools’ pupils in particular;

(m) “School Development Association” means the school development association (Association de développement scolaire) established and operating pursuant to the Borrower’s Law No. 154-59 dated November 7, 1959, and the Circular No. 100-88 dated September 2, 1988 of the Minister of Education and Training, as the same may be amended from time to time, participating in the Borrower’s Priority Schools Program and carrying out School Improvement Plans (as this term is hereinafter defined), or a School Development Association under a Regional Directorate of Education (Direction Régionale de l’Enseignement) within MET, carrying out a Regional Project;

(n) “School Improvement Plan” means a school improvement plan (“projet d’établissement”) developed by a school with a view to improving the school’s results in general and the learning outcome of the school’s pupils in particular;

(o) “Small Grants” means any funding provided on a grant basis through a Small Grant Agreement (as this term is hereinafter defined) to a Beneficiary under Parts A.2 (b) and C.1 of the Project, such grants to be provided by the Borrower in accordance with the provisions of Parts B and C of Schedule 5 to this Agreement;

(p) “Small Grant Agreement” means any agreement entered into between the Borrower and a Beneficiary pursuant to the provisions of Part C of Schedule 5 to this Agreement;

(q) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement; and

(r) “Sub-project” means a specific project to be carried out by a Beneficiary utilizing the proceeds of a Small Grant, aiming at supporting the implementation of School Improvement Plans and Regional Projects in selected schools through a process of decision-making and actions undertaken at the local level.

## **ARTICLE II**

### **The Loan**

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to one

hundred four million four hundred thousand Euros (EUR 104,400,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan and in respect of the fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

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

Section 2.03. The Closing Date shall be June 30, 2008 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one million forty four thousand Euros (EUR 1,044,000). On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee. Such fee shall be payable not later than 60 days after the Effective Date.

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

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

Section 2.07. Interest and other charges shall be payable semiannually in arrears on January 15 and July 15 in each year.

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

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in Section 2.01 (7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

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

### **ARTICLE III**

#### **Execution of the Project**

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

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

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

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

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

Section 3.04. The Borrower shall ensure: (i) that any land or right of way required for construction or civil works under the Project is acquired pursuant to the laws and regulations of the Borrower; (ii) that any private land needed for any construction or civil works under the Project shall be provided by the owner of such land in a voluntary manner; (iii) that the carrying out of the Project shall not involve the involuntary resettlement of local population; and (iv) the implementation of the Environmental Assessment Procedures.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank), (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 Bank), as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

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

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Parts D, E and F of Schedule 5 to this Agreement, the Borrower shall prepare and furnish to the Bank a Financial Monitoring Report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and

explains variances between the actual and planned Project implementation ; and

- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Bank not later than 45 days after the end of the first calendar semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar semester; thereafter, each Financial Monitoring Report shall be furnished to the Bank not later than 45 days after each subsequent calendar semester, and shall cover such calendar semester.

## **ARTICLE V**

### **Remedies of the Bank**

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

## **ARTICLE VI**

### **Termination**

Section 6.01. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## **ARTICLE VII**

### **Representative of the Borrower; Addresses**

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

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

For the Borrower:

Ministry of Development and International Cooperation  
Place Ali Zouaoui  
Tunis  
Republic of Tunisia

Cable Address:	Telex:	Facsimile:
MCCIIE	18060	216-71-351666 216-71-799069

For the Bank:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD 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 District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF TUNISIA

By /s/ Hatem Atallah  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Theodore O. Ahlers  
Acting Regional Vice President  
Middle East and North Africa

## SCHEDULE 1

### Withdrawal of the Proceeds of the Loan

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

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Euros)</u>	<u>% of Expenditures to be financed</u>
(1) Works under:		48%
(a) Part D.4 (a) of the Project	42,450,000	
(b) Part D.4 (b) of the Project	5,600,000	
(c) Parts A.2 and D.4 (c) of the Project	2,000,000	
(2) Goods	46,500,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(3) Consultants' services including study tours and training	2,000,000	87% for services of consultants domiciled within the territory of the Borrower and 79% for services of other consultants

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Euros)</u>	<u>% of Expenditures to be financed</u>
(4) Small Grants for Sub-projects under Parts A.2 (b) and C.1 of the Project	75,000	100%
(5) Front-end fee	1,044,000	Amount due under Section 2.04 of this Agreement
(6) Unallocated	4,731,000	
<b>TOTAL</b>	<u>104,400,000</u>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding EUR 10,400,000, may be made in respect of Category (1) (a) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after November 21, 2003.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) works costing less than \$2,000,000 equivalent per contract; (b) goods costing less than \$500,000 equivalent per contract; (c) for Small Grants and services of individual consultants under contracts costing less than \$50,000 equivalent per contract; and (d) services of consulting firms under contracts costing less than \$100,000 equivalent per contract, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objectives of the Project are to assist the Borrower in reinforcing the process of reforming its education sector through: (a) promoting excellence in teaching and learning in an improved pedagogical and physical environment; and (b) ensuring that all children are provided with equitable and adequate opportunities to access quality education at all levels of the Borrower's school system.

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

#### **Part A: Inclusive Basic Education**

1. Carrying out a program, through the provision of training, equipment and technical assistance, with a view to improving teaching to attain better learning outcomes by: (a) extending child-centered, skills-based teaching methodologies to upper basic education; (b) modernizing the teaching of languages and science; and (c) introducing optional studies into upper basic education.
2. Carrying out a program, through the provision of training, documentation, equipment and technical assistance, the carrying out of civil works as well as the provision of Small Grants for Sub-projects to School Development Associations, with a view to ensuring equal schooling opportunities by: (a) integrating children with disabilities into mainstream schools; (b) strengthening teaching quality in poorly performing schools under the Priority Schools Program; and (c) extending the kindergarten program aimed at five-year-old children.

#### **Part B: Developing Secondary Education**

1. Developing secondary education programs in ways that cater to the diverse student population, by diversifying the secondary education curriculum, through the provision of documentation, equipment and technical assistance.
2. Promoting career information and guidance to students, by establishing a system to provide students with information on school programs, tertiary education programs and careers, through the provision of training, documentation, equipment and technical assistance.

### Part C: School Sector Management

1. Strengthening school-level management by improving the relationship between central units, regional units and local schools, with a view to streamlining their respective roles while giving each entity the opportunity and means to operate effectively, through the provision of training, documentation and technical assistance as well as the provision of Small Grants for Sub-projects to School Development Associations.
2. Strengthening system-level management, by completing the installation of integrated information system for the management and oversight of the school sector, in line with the principles of modern and decentralized administration, through the provision of training and technical assistance and the purchase of equipment and vehicles.

### Part D: Strengthening Core Systems

1. Reinforcing staff training and communication programs within the school sector, through the provision of training, equipment and technical assistance, by: (a) designing and implementing a strategy aiming at improving and restructuring the in-service teacher training system; and (b) developing a communication strategy aiming at explaining the Borrower's school reform program to teachers and the general public.
2. Strengthening the integration of information and communication technologies in the teaching and learning process, through the provision of training and technical assistance and the purchase of equipment and vehicles.
3. Improving student learning assessment and evaluation systems, through the provision of training, documentation, equipment and technical assistance, and the carrying out of study tours, by: (a) consolidating and further developing regular assessments of learning achievement; and (b) strengthening MET's capacity in education research and teaching innovation.
4. Improving school infrastructure, through the provision of equipment and the carrying out of civil works, by: (a) constructing and equipping new middle schools and secondary schools; (b) rehabilitating existing school infrastructure; and (c) upgrading existing school infrastructure for lower basic education.

\* \* \*

The Project is expected to be completed by December 31, 2007



**SCHEDULE 3**

**Amortization Schedule**

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
July 15, 2004	0%
January 15, 2005	0%
July 15, 2005	0%
January 15, 2006	0%
July 15, 2006	0%
January 15, 2007	0%
July 15, 2007	0%
January 15, 2008	0%
July 15, 2008	3.30%
January 15, 2009	5.80%
July 15, 2009	0%
January 15, 2010	5.80%
July 15, 2010	0%
January 15, 2011	5.80%
July 15, 2011	4.20%
January 15, 2012	0%
July 15, 2012	0%
January 15, 2013	0%
July 15, 2013	5.80%
January 15, 2014	6.40%
July 15, 2014	5.80%
January 15, 2015	6.40%
July 15, 2015	5.80%
January 15, 2016	4.20%
July 15, 2016	6.40%
January 15, 2017	4.20%
July 15, 2017	0%
January 15, 2018	4.20%

<u>Payment Date</u>	<u>Installment Share</u> <u>(Expressed as a %)</u>
July 15, 2018	3.80%
January 15, 2019	4.20%
July 15, 2019	3.30%
January 15, 2020	4.20%
July 15, 2020	3.30%
January 15, 2021	3.80%
July 15, 2021	3.30%

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

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

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

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

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

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall

be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

## **SCHEDULE 4**

### **Procurement**

#### Section I. Procurement of Goods and Works

##### Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits", published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

##### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The 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 goods shall be grouped in bid packages estimated to cost \$500,000 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.

##### Part C: Other Procurement Procedures

##### 1. Limited International Bidding

Specialized periodicals, magazines, books and other reference materials, and other goods, which the Bank agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

Works estimated to cost less than \$5,000,000 equivalent per contract and goods estimated to cost less than \$500,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines and paragraphs (a), (b), (c), (d) and (e) below:

(a) Any prospective bidder from a country eligible under the guidelines who proposes to provide goods produced in or supplied from any such country shall be eligible to bid for such contracts. The same shall be applied for goods and works required for the carrying out of civil works under the Project. Prospective bidders shall be allowed to submit two envelopes and at the bidder's option, in person or by courier service, provided the two envelopes are opened at the same time.

(b) Prospective bidders shall be allowed a minimum of 30 days from the date of the invitation to bid to submit bids and the invitation to bid shall so specify.

(c) The contract shall be awarded to the qualified bidder having submitted the lowest evaluated responsive bid without resorting to the automatic rejection of bids above or below a certain percentage of the pre-bid estimate (bid price bracketing).

(d) Government-owned enterprises in the Borrower's country may participate only if they can establish that they: (i) are legally and financially autonomous, and (ii) operate under commercial law. No dependent administrative agency of the Borrower or sub-Borrower shall be permitted to bid or submit a proposal for the procurement of goods or works under the Project.

(e) No domestic preference shall apply.

3. International or National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost less than \$500,000 equivalent per contract may be procured under lump-sum contracts awarded on the basis of quotations obtained from 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 completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the capability and resources to complete the contract satisfactorily.

5. Small Grants

Works, goods and services under Parts A.2 (b) and C.1 of the Project shall be procured in accordance with procedures agreed between the Borrower and the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to: (a) each contract for works estimated to cost the equivalent of \$2,000,000 or more; (b) the first six contracts for the construction of secondary schools (*lycées*) without hostels; (c) each contract for goods estimated to cost the equivalent of \$500,000 or more; and (d) the first two contracts to be procured under limited international bidding procedures, 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 Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, 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. Selection Based on Consultants' Qualifications

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

2. Single Source Selection

Services which comply with the conditions set forth in paragraphs 3.8 through 3.11 of the Consultant Guidelines may be procured on a single source basis subject to the Bank's prior agreement.

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.

Part D: Review by the Bank 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 Bank 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 Bank.

2. Prior Review

(a) With respect to: (i) each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more; (ii) the first two contracts for the employment of consultants under procedures for the selection of consultants on the basis of qualifications; (iii) each contract for the employment of consultants under procedures for single source selection; and (iv) each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 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 qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. 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 5

### Implementation Program

#### A. Project Coordination and Implementation

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

2. The Borrower shall vest MET with the overall responsibility for the implementation of the Project. In order to ensure proper management and coordination of the Project, the Borrower shall cause MET to appoint, subject to terms of reference satisfactory to the Bank: (a) a Project Coordinator who will be in charge of monitoring the execution of the Project; and (b) the Director General of DGSC as Project Director. The Project Director shall: (a) ensure the physical and financial management of the Project; (b) coordinate all procurement and disbursement activities; and (c) prepare, in collaboration with the Project Coordinator, the annual and Midterm Review reports referred to in, respectively, Parts E and F of this Schedule.

3. The Borrower shall, at all times, cause MET to: (a) maintain professional staffing in adequate number, whose qualifications and experience shall be acceptable to the Bank; and (b) carry out the Project in accordance with the Operations Manual and the Environmental Assessment Procedures. Unless the Borrower and the Bank shall otherwise agree, no provision of the Operations Manual or the Environmental Assessment Procedures shall be amended or waived.

#### B. Eligibility Criteria for Sub-projects

No Sub-project shall be eligible for financing out of the proceeds of the Loan under a Small Grant unless the Borrower is satisfied that the Sub-project meets the eligibility criteria specified below, the procedures, terms and conditions specified in Part C of this Schedule and the provisions set forth in the Operations Manual, which shall include, inter alia, the following:

(a) the Sub-Project shall be carried out by schools, selected by MET within each Governorate or through its Regional Directorates of Education (Directions Régionales de l'Enseignement);

(b) the Sub-project shall be financially and technically viable and shall meet the criteria specified in the Operations Manual; and

(c) the Sub-project shall comply with the standards set forth in the applicable laws of the Borrower relating to education.

C. Terms and Conditions of Small Grants made for Sub-projects

Sub-projects shall be carried out pursuant to Small Grant Agreements to be concluded between the Borrower and the Beneficiary under terms and conditions set forth in the Operations Manual and satisfactory to the Bank which, inter alia, shall include the following:

(a) financing in the form of a Small Grant;

(b) the obligation to carry out the Sub-project in accordance with the Operations Manual, with due diligence and efficiency and in accordance with sound education, technical, financial and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Sub-project;

(c) the right of the Borrower to obtain from the Beneficiaries all information as the Borrower or the Bank shall reasonably request regarding the administration, operation and financial conditions of the Sub-project; and

(d) the right of the Borrower to suspend or terminate the right of the Beneficiary to use the proceeds of the Small Grant for the Sub-project upon the failure by the Beneficiary to perform any of its obligations under its Small Grant Agreement, such failure to be determined by internal and external evaluations carried out in accordance with the procedures set forth in the Operations Manual.

D. Part D.4 (a) of the Project

1. The Borrower shall, with respect to each new school to be constructed under the Project, submit to the Bank: (a) (i) confirmation of the site selected for the construction of said school, and (ii) the budget allocation for the construction of said school; (b) evidence, satisfactory to the Bank, that the land on which construction activities for said school are to be carried out has been transferred to MET; (c) performance results on the use of the Environmental Assessment Procedures including, where appropriate, a copy of the applicable environmental assessment study and the land acquisition assessment carried out on the construction site for said school in accordance with said Procedures; and (d) the architectural programs and technical specifications for the construction activities proposed for said school.

2. For each new school to be constructed under the Project, no civil work or construction activity shall be carried out unless the Bank shall have first received the information, in form and substance satisfactory to the Bank, referred to in sub-paragraphs (a), (b), (c) and (d) of the preceding paragraph 1.

E. Monitoring and Evaluation

1. The Borrower shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof.

2. The Borrower shall, not later than December 31 of each year until the completion of the Project, commencing from December 31, 2004, prepare and furnish to the Bank a Project monitoring and evaluation report of such scope and in such detail as the Borrower and the Bank shall have agreed, describing, inter alia: (a) the progress achieved in the implementation of the Project; and (b) the work plan for the next following twelve-month period.

F. Midterm Review

The Borrower shall:

1. prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about March 31, 2006, a report integrating the results of the monitoring and evaluation reports prepared pursuant to paragraph 2 of Part E of this Schedule, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

2. review with the Bank, by June 30, 2006, or such later date as the Bank shall request, the report referred to in the preceding paragraph 1 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 said report and the Bank's views on the matter.

## **SCHEDULE 6**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1), (2), (3) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
  - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
  - (c) the term “Authorized Allocation” means the amount equivalent to EUR 7,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to EUR 3,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of EUR 8,000,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
  - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
  - (b)
    - (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
    - (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the

basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

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

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

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