

Public Disclosure Authorized

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CREDIT NUMBER 3775 PAK
GRANT NUMBER TF 050854

Development Credit Agreement

(National Education Assessment System Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 9, 2003

Public Disclosure Authorized

**CREDIT NUMBER 3775 PAK
GRANT NUMBER TF 050854**

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 9, 2003, between ISLAMIC REPUBLIC OF PAKISTAN acting by its President (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 Borrower intends to obtain from the United Kingdom of Great Britain and Northern Ireland (United Kingdom), acting through the Department for International Development (DfID), a grant in an amount of British Pounds Sterling six hundred eighty-six thousand (£686,000) (the DfID Grant) to assist in financing part of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and the Association acting as administrator of the DfID Grant (the DfID Grant Agreement);

(C) part of the activities under the Project will be carried out by the Province of Balochistan (Balochistan), the North West Frontier Province (NWFP), the Province of Punjab (Punjab), and the Province of Sindh (Sindh) (hereinafter collectively referred to as the Provinces) and Azad Jammu and Kashmir (AJK), with the Borrower's assistance and, as part of such assistance, the Borrower will make a portion of the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to the Provinces and AJK as set forth in this Agreement; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Association and the Provinces and AJK (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), (the General Conditions), constitute an integral part of this Agreement.

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

- (a) "AJK" means the territory of Azad Jammu and Kashmir;
- (b) "Balochistan" means the Province of Balochistan, a political subdivision of the Borrower;
- (c) "Credit Special Account" means the account referred to in Section 2.02 (b)(i) of this Agreement;
- (d) "CW" means the Curriculum Wing of MOE (as hereinafter defined);
- (e) "DfID Grant Account" means the account opened by the Association on its books in the name of the Borrower, to which the amount of the DfID Grant is credited;
- (f) "DfID Special Account" means the account referred to in Section 2.02 (b)(ii) of this Agreement;
- (g) "FANA" means the Federally Administered Northern Areas of the Borrower;
- (h) "FATA" means the Federally Administered Tribal Areas of the Borrower;
- (i) "Financial Monitoring Report" or "FMR" means each report prepared in accordance with Section 4.02 of this Agreement or Section 3.02 of the Project Agreement;
- (j) "FY" or "fiscal year" means the fiscal year of the Borrower commencing on July 1 of a calendar year and ending on June 30 of the following calendar year;
- (k) "ICT" means the Islamabad Capital Territory administered by the Borrower;
- (l) "MOE" means the Ministry of Education of the Borrower;
- (m) "NEAS" means the National Education Assessment System of the Borrower;
- (n) "NWFP" means the North West Frontier Province, a political subdivision of the Borrower;

(o) "Project Agreement" means the agreement between the Association, on the one hand, and the Provinces (as hereinbefore defined), AJK and FATA, on the other hand, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(p) "Project Implementation Plan" or "PIP" means the Borrower's Project Implementation Plan conveyed to the Association under cover of MOE's letter dated August 26, 2002, as the same may be amended or updated from time to time in agreement with the Association;

(q) "Punjab" means the Province of Punjab, a political subdivision of the Borrower;

(r) "Sindh" means the Province of Sindh, a political subdivision of the Borrower; and

(s) "Special Accounts" means the accounts referred to in Section 2.02(b) of this Agreement collectively; and "Special Account" means either of those accounts individually.

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 two million seven hundred thousand Special Drawing Rights (SDR 2,700,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account and the amount of the DfID Grant may be withdrawn from the DfID Grant 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 and to be financed out of the proceeds of the Credit and the DfID Grant.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars in the National Bank of Pakistan: (i) a separate special deposit account for the Credit (the Credit Special Account); and (ii) a separate special deposit account for the DfID Grant (the DfID Special Account), all 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 Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

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

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

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

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15 commencing November 15, 2013, and ending May 15, 2038. Each installment to and including the installment payable on May 15, 2023, shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

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

development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

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

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall:

- (i) carry out its (including ICT's) activities under the Project through CW, FANA's activities under the Project through FANA's Directorate of Education, and FATA's activities under the project through FATA's Directorate of Education, all with due diligence and efficiency and in conformity with appropriate administrative, financial and educational practices, and shall

provide, promptly as needed, the funds, facilities, services and other resources required for its (including ICT's, FANA's and FATA's) activities under the Project;

- (ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, cause the Provinces and AJK to perform in accordance with the provisions of the Project Agreement all the obligations of the Provinces and AJK therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Provinces and AJK to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

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

(c) The Borrower shall make amounts out of the proceeds of the Credit and the DfID Grant available to the Provinces and AJK from time to time in accordance with its standard budgetary procedures.

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

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

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

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

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of their activities under

the Project shall be carried out by the Provinces and AJK pursuant to Section 2.03 of the Project Agreement.

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 a format acceptable to the Association, adequate to reflect its (including ICT's FANA's and FATA's) 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 Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Association, 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 months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year 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 Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account and the DfID Grant 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 Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders,

invoices, bills, receipts and other documents) evidencing such expenditures;

- (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.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 1 of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for its (including ICT's, FANA's and FATA's) activities under the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit and the DfID Grant, and explains variances between the actual and planned uses of such funds;
- (ii) describes its (including ICT's, FANA's and FATA's) 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 for which it is responsible under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure by the Borrower under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

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

(a) Any of the Provinces and/or AJK shall have failed to perform any of their obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Provinces and/or AJK will be able to perform their obligations under the Project Agreement.

(c) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the DfID Grant shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the DfID Grant Agreement.

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

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower;

(b) the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (c)(i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (c)(ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that the DfID Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of the Development Credit Agreement, have been fulfilled.

Section 6.02. The following are specified as additional matters within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) the Project Agreement has been duly authorized or ratified by the Provinces and AJK and is legally binding upon the Provinces and AJK in accordance with its terms; and

(b) the DFID Grant Agreement has been duly authorized or ratified by the Borrower, and is legally binding upon the Borrower in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of that Division 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:

The Secretary to the Government of Pakistan
Economic Affairs Division
Islamabad
Pakistan

Cable address:	Telex:	Facsimile:
ECONOMIC Islamabad	ECDIV-05-634	92-051-921-8976

For the Association:

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

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

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

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Muhammad Ashraf Khan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Abid Hasan

Acting Country Director
Pakistan

SCHEDULE 1

Withdrawal of the Proceeds of the Credit and the DfID Grant

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the DfID Grant Allocated (Expressed in British Pound Sterling)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	230,000		100% of foreign expenditures, 90% of local expenditures for printed materials, books and journals, and 40% of local expenditures for equipment and other items procured locally
(2) Consultant Services	372,000	343,000	88% of expenditures for foreign firms or individuals, and 98% of expenditures for local firms or individuals

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the DfID Grant Allocated (Expressed in British Pound Sterling)</u>	<u>% of Expenditures to be Financed</u>
(3) Training, workshops and seminars	1,897,000	343,000	100% of expenditures for foreign training and seminars and 80% of expenditures for local training, workshops and seminars
(4) Incremental operating costs	37,000		40% of expenditures for FY2004, 35% of expenditures for FY2005, 30% of expenditures for FY2006, 25% of expenditures for FY2007, and 20% of expenditures for FY2008
(5) Unallocated	164,000		
TOTAL	<u>2,700,000</u> =====	<u>686,000</u> =====	

2. For the purposes of this Schedule:

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

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

(c) the term “foreign firms or individuals” means firms that are registered or incorporated in the territory, or, as the case may be, individuals who are nationals, of any country other than that of the Borrower;

(d) the term “local firms or individuals” means firms that are registered or incorporated in the territory, or, as the case may be, individuals who are nationals, of the Borrower; and

(e) the term “incremental operating costs” means the operating and maintenance costs of vehicles, equipment and offices acquired under and/or used in carrying out the Project.

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 and the DfID Grant Account to be made on the basis of statements of expenditure for expenditures: (a) for goods; (b) for consultant services provided by firms under contracts costing less than \$100,000 equivalent each; (c) for consultant services provided by individuals under contracts costing less than \$50,000 equivalent each; (d) for training, workshops and seminars; and (e) for incremental staff and operating costs, all 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: (a) to design and implement a national education assessment system; (b) to enable experimentation with different modes of implementing such a system so as to achieve maximum effectiveness and validity; (c) to help build the capacity necessary to sustain such a system once it is in place; and (d) to increase stakeholder knowledge and understanding of the system and its objectives.

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

Part A: Capacity Building

1. Developing and sustaining of institutional capacity in planning and designing assessment systems and instruments, data analysis, management and administration, statistical sampling and bias, reporting, dissemination and feedback, information marketing and stakeholder confidence building, pilot testing evaluation and system sustainability, and use and application of technology in assessment, through the provision of equipment, technical advisory services and training.
2. Establishing of overall certifying and accrediting bodies responsible for awarding assessment skills certificates and assuring the quality of training in such skills imparted by other institutions, through the provision of equipment, technical advisory services and training.
3. Provision of equipment, technical advisory services and training for the development of local capacity for training in assessment skills, through partnering with a suitable institution or institutions.

Part B: Pilot Testing and Implementing

Carrying out of experiments in assessment to: (i) identify options that would produce the desired, valid results and are best implemented; (ii) pilot instruments to ensure that biases reflecting language and other contextual differences affecting performance results are reduced to a minimum; (iii) test options for ensuring effective working arrangements and linkages between the Borrower, the Provinces and AJK, and pool, share and evaluate measurement items developed by the Borrower, the Provinces and AJK for inclusion in the national pool of assessment items; and (iv) increase stakeholder knowledge and understanding of assessment objectives and procedures.

Part C: Information Dissemination

Carrying out of an information dissemination campaign to: (i) provide information in advance of the assessment to stakeholders, explaining its purpose and giving them insight and reassurance as to its intended purpose; and (ii) communicate findings of the assessment to stakeholders, the media and elected officials, explaining their implications for the administration of the education system, resource allocation and potentially effective policy shifts.

* * *

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

SCHEDULE 3

Procurement and Consultant Services

Section I. Procurement of Goods

Part A: General

Goods 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).

Part B: National Shopping

Goods shall be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part C: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Post Review

The review procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply to all contracts for goods, provided that the word “bids” in such paragraph 4 shall be read as “quotations.”

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 this Section.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions 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 \$500,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 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. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.4 of the Consultant Guidelines.

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

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan of each implementing agency for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services by each implementing agency shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each implementing agency's first contract irrespective of value, and each subsequent contract estimated to cost the equivalent of \$100,000 or more, for the employment of consulting firms, the procedures set forth in paragraphs 1, 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each implementing agency's first contract irrespective of value, and each subsequent contract estimated to cost the equivalent of \$50,000 or more, for the employment of individual consultants, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

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

SCHEDULE 4

Implementation Program

1. The Borrower (including ICT, FANA and FATA), the Provinces and AJK shall:
 - (a) maintain policies and procedures adequate to enable them to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;
 - (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about September 30, 2005, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and
 - (c) review with the Association, by December 31, 2005, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.
2. The Borrower (including ICT, FANA and FATA), the Provinces and AJK shall, throughout the period of implementation of the Project, maintain adequate levels of staffing needed for the Project and agreed with the Association from time to time.
3. The Borrower shall, throughout the period of implementation of the Project, maintain the National Planning and Coordination Committee, the Assessment Instrument Development Groups, the Background Data Working Group and the Statistical Working Group all as constituted by MOE for the purposes of NEAS on May 17, 2003, with composition and terms of reference satisfactory to the Association.
4. The Borrower (including ICT, FANA and FATA) shall, in consultation with the Provinces and AJK and not later than May 31 of each year during the implementation of the Project, or such later date as may be agreed with the Association, prepare and furnish to the Association an annual update of the PIP satisfactory to the Association.
5. The Borrower (including ICT, FANA and FATA), the Provinces and AJK shall, not later than June 30 of each year, or such later date as may be agreed with the Association, prepare and furnish to the Association annual progress reports, in form and substance satisfactory to the Association, on the carrying out of the Project.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) through (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 Credit and the DfID Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means, with respect to the Credit Special Account an amount equivalent to \$360,000 to be withdrawn from the Credit Account and deposited into the Credit 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 \$180,000 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 SDR 1,000,000; and

(d) the term “Authorized Allocation” means, with respect to the DfID Special Account an amount equivalent to \$100,000 to be withdrawn from the DfID Grant Account and deposited into the DfID 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 \$50,000 until the aggregate amount of withdrawals from the DfID Grant Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 30,000.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the respective Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized

Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and the DfID Grant Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

- (b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective Special Account at such intervals as the Association shall specify.
- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and the DfID Grant Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account and the DfID Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

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

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

(d) once the total unwithdrawn amount of the Credit and the DfID Grant allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

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

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

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

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