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**LOAN NUMBER 4671-TU**

# **Loan Agreement**

**(Second Basic Education Project)**

**between**

**REPUBLIC OF TURKEY**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated July 26, 2002**

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**LOAN NUMBER 4671-TU**

**LOAN AGREEMENT**

AGREEMENT, dated July 26, 2002, between the REPUBLIC OF TURKEY (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated May 26, 1998 from the Borrower describing a program of actions, objectives and policies designed to reform and develop its basic education system, achieve universal attendance in eight-year basic education, and significantly improve the quality of basic education through the following actions: expansion of universal eight-year access to basic education, improvement of the quality of educational instruction and materials, strengthening of the management capacity to provide basic education, and monitoring and evaluation to guide in the said actions, and a letter dated April 10, 2002 updating the actions, objectives and policies of the aforementioned letter (both letters hereinafter collectively referred to as the Program) and confirming the Borrower's continued support thereto and to preschool education and special needs education as an integral part of basic education, and declaring the Borrower's commitment to the execution of the said Program;

(B) the Borrower has requested the Bank's support in the execution of the Program through a series of two (2) loans over a period of approximately eight (8) years to be utilized by the Borrower for implementing the Program;

(C) the first phase of the Program has been supported by the Bank through a loan in an amount equal to three hundred million dollars (\$300,000,000) pursuant to the Loan Agreement (4355-TU) dated June 25, 1998, between the Borrower and the Bank;

(D) the Borrower, having satisfied itself as to the feasibility and priority of the part of the second phase of the Program (the Project) described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project; 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 Single Currency Loans" of the Bank dated May 30, 1995 (as amended through October 6, 1999) (the General Conditions), with the following modification set forth below, constitute an integral part of this Agreement:

Paragraph (c) of Section 9.07 of the General Conditions is modified to read as follows:

"(c) Not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."

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) "APK" means the Research, Planning and Coordination Council within the MONE (as hereinafter defined in paragraph (g) of this Section);

(b) "Basic Education" means the education dispensed in the Borrower's territory from the first to the eighth grades of schooling;

(c) "Category" means a category of items to be financed out of the proceeds of the Loan as set forth in the table in paragraph 1 of Schedule 1 to this Agreement, and the term "Categories" means more than one (1) Category collectively;

(d) "EGITEK" means the General Directorate for Educational Technologies within the MONE (as hereinafter defined in paragraph (g) of this Section);

(e) "Environmental Management Plan" means the plan acceptable to the Bank dated March 29, 2002, describing the environmental issues raised under the Project and setting forth the mitigation, monitoring and institutional measures to be carried out in relation to such issues;

(f) “Fiscal Year” means the twelve-month period corresponding to any of the Borrower’s fiscal years, which period commences on January 1 and ends on December 31 in each calendar year;

(g) “MONE” means Borrower’s Ministry of National Education;

(h) “Performance Indicators” means the agreed performance indicators set forth in a supplemental letter to the Loan Agreement of even date herewith to be utilized by the Borrower under the Project to measure the progress in the implementation of the Project and the degree to which the objectives thereof are being achieved;

(i) “Project Coordination Center” or “PCC” means the restructured Project Coordination Team established under the first phase of the Program (Basic Education Project, Loan No. 4355-TU);

(j) “Project Steering and Executive Committee” or “PSEC” means the committee comprising all of the critical Project implementation units within the MONE; and

(k) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement.

## **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 this Agreement, an amount equal to three hundred million dollars (\$300,000,000).

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 works, goods 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.

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

Section 2.03. The Closing Date shall be February 28, 2006 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 fee in an amount equal to one percent (1%) of the amount of the Loan. 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.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) "Interest Payment Date" means any date specified in Section 2.07 of this Agreement.
- (iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) "LIBOR Total Spread" means, for each Interest Period: (A) three-fourths of one percent ( $3/4$  of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of the LIBOR Base Rate and the LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

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

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

### **ARTICLE III**

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

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project through the MONE with due diligence and efficiency and in conformity with appropriate administrative, educational, engineering, environmental, financial and technical 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 works and goods and selection and employment of 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 before 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.

## ARTICLE IV

### Financial Covenants

Section 4.01. (a) The Borrower, through the MONE, shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower, through the MONE, 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 auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) 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 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, through the MONE, 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 (1) year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations specified in paragraph 3 of Section C of Schedule 5 to this Agreement, the Borrower, through the MONE, shall prepare and furnish to the Bank a financial monitoring report (FMR), 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 of the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than forty-five (45) days after the end of the first 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 semester; thereafter, each FMR shall be furnished to the Bank not later than forty-five (45) days after each subsequent semester, and shall cover such 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 shall have 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 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 Undersecretary of Treasury 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:

Basbakanlik  
Hazine Mustesarligi  
Inonu Bulvari  
Emek-Ankara  
Republic of Turkey

Cable address:

Telex:

Facsimile:

HAZINE  
Hazine, Ankara

44232 HZM-TR or  
44404 HZM-TR

(312) 212-8550

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)	(1-202) 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 Ankara, Republic of Turkey, as of the day and year first above written.

REPUBLIC OF TURKEY

By /s/ Faik Öztrak

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ajay Chhibber

Authorized Representative

## 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 Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	100,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 85% of local expenditures for other items procured locally
(2) Goods	145,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 85% of local expenditures for other items procured locally
(3) Consultants' services under Parts A and B of the Project	10,000,000	78%
(4) In-service training under Part C of the Project	15,500,000	78%

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars )</u>	<u>% of Expenditures to be Financed</u>
(5) Training under Parts B, D and E of the Project	500,000	100%
(6) Incremental operating costs	600,000	100% through June 30, 2003, and 80% thereafter
(7) Fee	3,000,000	Amount due under Section 2.04 of this Agreement
(8) Unallocated	<u>25,400,000</u>	
TOTAL	<u>300,000,000</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 works, 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 works, goods or services supplied from the territory of the Borrower;

(c) the term “In-service training” means expenditures incurred to finance the fees of consultants, including educational or other institutions and organizations, which provide such training services, the costs of related training materials and the travel, and subsistence costs associated with the participation in such training;

(d) the term “Training” means expenditures incurred to finance the cost of workshops, and related travel expenditures, accommodation and per diem allowances provided to the participants in such training, and the cost of study tours abroad; and

(e) the term “Incremental operating costs” means expenditures incurred to finance the reasonable and necessary incremental expenses incurred by the Borrower, through the MONE, on account of Project implementation, management and monitoring, including office supplies, the rent of the PCC office premises, the cost of advertisement for procurement under the Project, communications, office and maintenance costs, including the maintenance of office equipment, systems and facilities, and subscription

fees of international institutions; provided, however, that such expenses shall have been previously budgeted in the MONE's annual budget.

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 Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (i) works, under contracts costing less than \$500,000 equivalent each, but excluding those referred to in paragraph 2 (a) of Part D of Section I of Schedule 4 to this Agreement; (ii) goods, under contracts costing less than \$400,000 equivalent each, but excluding those referred to in paragraphs 2 (a) and 2 (b) (i), (ii), and (iii) of Part D of Section I of Schedule 4 to this Agreement; (iii) services of consulting firms, including those rendered for In-service training, under contracts costing less than \$100,000 equivalent each, but excluding those referred to in paragraph 2 (a) (ii) of Part D of Section II of Schedule 4 to this Agreement; (iv) services of individual consultants, including those rendered for In-service training, under contracts costing less than \$50,000 equivalent each; (v) training; and (vi) Incremental operating costs, 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 support the Borrower's implementation of the Program over the three (3) year period 2002-2005 by continuing the efforts to expand Basic Education school capacity, to improve the quality of Basic Education, and to make rural schools and schools in low-income areas around large cities (*gecekondu* areas) more attractive to the populations they are meant to serve, specifically extending the actions supported under the first phase of the Program and supporting the development of preschool education and special needs education as an integral part of Basic Education.

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: Improved Basic Education Coverage

##### 1. School Rehabilitation

Rehabilitation of about one thousand (1,000) selected rural Basic Education schools and schools in low-income areas around large cities (*gecekondu* areas), including five-year rural Basic Education schools, bussing schools, regional Basic Education boarding schools and part-boarding schools (*pansiyonlu ilkogretim okullari*), all for students from the remote rural areas.

##### 2. Expansion of Preschool Education Facilities

Construction and furnishing of about three hundred (300) preschool classrooms in existing Basic Education schools.

##### 3. Expansion and Enhancement of Special Needs Education Facilities

Renovation of about forty (40) special needs education schools and construction of about twenty (20) additional buildings for special needs education.

#### Part B: Improved Basic Education Quality

##### 1. Information and Communications Technology

Carrying out of a program aimed to develop computer literacy for Basic Education students in grades four through eight, as well as for their teachers, through the implementation of regular courses of computer instruction in information and communications technology (ICT) classrooms, thereby extending the MONE's ongoing effort on ICT by means of the equipping with ICT of about three thousand (3,000) Basic

Education schools, the training of staff, and the establishment of an education portal for students, teachers and the community.

2. Educational Materials Provision

Provision of tailor-made packages of Basic Education materials to about four thousand (4,000) schools in low-income areas around large cities (*gecekondu* areas), so as to cure deficiencies in relation to the MONE's norms on educational materials.

3. Preschool Education

Carrying out of a program to support outreach programs of preschool education so as to improve children's performance in Basic Education, and provision of educational materials and preschool teacher training in order to expand and upgrade the preschool education programs offered within the Basic Education schools or in free-standing preschools.

4. Special Needs Education

Development of an implementation strategy for special needs education integrating special needs into ordinary education, and provision of educational materials and in-service training to expand and upgrade the delivery of special needs education.

Part C: Delivery of the Basic Education Program: In-service Training

Carrying out of an in-depth training program for teachers, inspectors and administrators in five (5) priority areas concerning: (i) information and communications technology integration; (ii) preschool education; (iii) special needs education; (iv) provision of training for instructors and participants (mothers with young children); and (v) study tours for MONE staff.

Part D: Project Implementation Support

Strengthening of the MONE's implementation capacity, particularly of the PCC, in the areas of Project management, procurement, financial management, reporting and communications.

Part E: Monitoring, Evaluation and Review

1. Monitoring

Expansion and improvement of the existing monitoring and evaluation model used by the MONE on the basis of information obtained from: (i) data from the State Institute of Statistics and the APK; (ii) data from its management information system; (iii) systematic and consultative meetings with inspectors, provincial and sub-provincial



directors of education; and (iv) national and international student achievement testing programs.

2. Evaluation

Carrying out of evaluation studies and evaluation of feedback resulting from surveys covering critical Program areas, including dissemination of the findings thereof so as to make the said findings accessible to all stakeholders in the education system.

3. Semi-annual Reviews

Support for the carrying out of semi-annual meetings to review progress on Basic Education measured against selected indicators and thereby provide feedback to the Borrower aimed at improving the effectiveness of the Program.

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The Project is expected to be completed by August 31, 2005.

**SCHEDULE 3**

**Amortization Schedule**

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars)*</u>
On each April 15 and October 15 beginning on October 15, 2007 through April 15, 2017	15,000,000

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\* The figures in this column represent the amount in dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

## **SCHEDULE 4**

### **Procurement and Consultants' Services**

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

##### Part A: General

Works and 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) 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, works and goods 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 works and goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Grouping of contracts

To the extent practicable, contracts for works and goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods

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.

(c) Notification and Advertising

The invitation to bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(i) Works estimated to cost less than \$5,000,000 equivalent per contract, up to an aggregate amount not to exceed \$120,000,000 equivalent; and (ii) goods estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$5,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines. In order to assure economy, efficiency, transparency and broad consistency with the provisions included in Section I of the Guidelines, the Borrower's competitive bidding procedures shall be reviewed and modified as necessary in form and substance acceptable to the Bank.

2. International Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may 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.

4. Direct Contracting

Goods which: (i) should be procured as an extension of an existing contract; (ii) must be purchased from the original supplier to be compatible with existing equipment; (iii) are of a proprietary nature; or (iv) must be procured from a particular supplier as a condition of a performance guarantee, estimated to cost less than \$100,000 equivalent per contract and costing \$500,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

5. Procurement of Small Works

Works estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$6,000,000 equivalent, may be procured under lump-sum, fixed-price 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 required 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 experience and resources to complete the contract successfully.

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 works and goods 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

(a) With respect to: (i) each contract for works and goods to be awarded in accordance with the provisions of Part B of this Section I; and (ii) the first three (3) contracts for each works and goods to be awarded in accordance with the provisions of Part C.1 of this Section I, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to: (i) the first three (3) contracts for goods to be awarded in accordance with the provisions of Part C.2 of this Section I; (ii) the first three (3) contracts for goods to be awarded in accordance with the provisions of Part C.3 of this Section I; (iii) each contract for goods to be awarded in accordance with the provisions of Part C.4 of this Section I; and (iv) the first three (3) contracts for works to be awarded in accordance with the provisions of Part C.5 of this Section I, the following procedures shall apply:

- (i) prior to the selection of any supplier and the execution of any contract under shopping procedures, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under direct contracting, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2 (f), 2 (g) 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 and training shall be procured in accordance with the provisions of the Introduction and Section 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 and January 1999 (the Consultant Guidelines) 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 and in-service training 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 for construction supervision and monitoring and evaluation, estimated to cost less than \$200,000 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 for: (i) in-service training for teachers and preschool teachers under Part C of the Project; and (ii) monitoring and evaluation under Part E of the Project, 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 for: (i) the expansion of the mother and child education program under Part C of the Project under a contract estimated to cost less than \$500,000 equivalent; and (ii) strengthening of the MONE's capacity to implement the said program under a

contract estimated to cost less than \$70,000 equivalent, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for strengthening Project management and implementation under Part D of the Project which meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, up to an aggregate amount not to exceed \$850,000 equivalent, may be procured under contracts awarded to individual consultants 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

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

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; and (ii) each contract for the employment of consulting firms to be selected in accordance with the provisions of Part C.2 of this Section II, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) 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.

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; provided, however, that prior review and approval by the Bank shall still apply to the terms of reference for each such contract.

## **SCHEDULE 5**

### **Implementation Program**

#### Section A: Institutional Arrangements

1. The Project Coordination Center shall be responsible for coordinating adequate arrangements for the overall implementation of the Project among the MONE central units and eighty-one (81) of its provincial directorates, including aspects related to procurement of works and goods and selection and employment of consultants' services, disbursement of Loan proceeds, and maintenance of Project accounts. To that end, the Borrower, through the MONE, shall maintain the PCC throughout Project implementation under terms of reference satisfactory to the Bank and with sufficient and suitable human, financial and technical resources. The PSEC shall provide policy guidance required for the implementation of the Project, meeting for such purposes every two (2) months to discuss and evaluate Project progress.

2. At the province and sub-province level, the Project shall be implemented under the authority of the provincial governors and the sub-province governors (*kaymakams*), with the provincial education directors being responsible for the lead technical role on educational matters and provincial project management services units being established.

#### Section B: Project Implementation Responsibilities

1. The MONE and the provinces shall share responsibility for carrying out school infrastructure investments under Part A of the Project, the provinces being responsible for identifying their infrastructure needs and preparing initial proposals for school construction, rehabilitation and extension, according to criteria established by the MONE and agreed by the Bank. Implementation of approved construction shall rest with the provinces and sub-provinces for extension and rehabilitation of existing Basic Education schools, while the MONE shall manage the construction of new schools with the assistance of management consultants' regional teams.

2. Information and Communications Technology under Parts B.1 and C of the Project shall be implemented by EGITEK and the Department of In-Service Training of the MONE, under the coordination of the PCC.

3. Educational interventions under the Project shall be implemented by the respective line units of the MONE, under the coordination of the PCC assisted by consultants.

4. Monitoring and evaluation activities under Part E of the Project shall be carried out by the Monitoring and Evaluation Unit of the PCC, in close collaboration with Project implementation units and the APK, under the coordination of the PCC.



Section C: Project Implementation and Reporting Arrangements

1. The Borrower shall take all measures necessary to carry out the Environmental Management Plan in a timely manner, ensuring that adequate information on the implementation of the said measures is suitably included in the progress reports referred to in following paragraph 3 of this Section C.

2. For the purposes of the training consisting of workshops, seminars and study tours to be provided under Parts B, D and E of the Project, the Borrower, through the MONE, shall:

(a) furnish to the Bank for its approval, the content of each such training, including an explanation on how such training is consistent and conducive to the objectives of the Project and whether it offers the best price/quality ratio, as well as the schedule for its implementation;

(b) select the trainees in accordance with a transparent process and criteria satisfactory to the Bank;

(c) not later than December 1 of each year, exchange views with the Bank on the training to be carried out during the following calendar year; and

(d) furnish to the Bank a report of such scope and detail as the Bank shall reasonably request, on the results of each training and the benefits to be derived therefrom.

3. Without limitation upon the provisions of Section 9.07 of the General Conditions, the Borrower shall, not later than April 30 and October 31 in each calendar year, commencing on April 30, 2003, and until Project completion, cause the PCC to prepare and submit to the Bank for its review, a progress report, of such scope and in such detail as the Bank shall reasonably request, describing, in accordance with evolving parameters acceptable to the Bank, the progress achieved by the Borrower in the implementation, through the MONE, of the Project during the preceding six (6) month period.

4. With a view to foster the successful implementation of the Program, the Borrower shall:

(a) not later than April 30 in each calendar year, commencing on April 30, 2003, and until Program completion, cause the MONE to carry out with representatives from the Borrower's Undersecretariat of Treasury, the State Planning Organization, the State Institute of Statistics, the Bank and other third parties relevant to the implementation and development of the Program, including relevant non-governmental organizations, a quantitative review on the progress achieved by the Borrower in carrying out the Program during the preceding twelve (12) month period, on the basis of published

statistical abstracts to be furnished by the MONE, and, thereafter, the Borrower shall cause the MONE to carry out the measures resulting from the recommendations agreed upon with the Bank to ensure the efficient carrying out of the Program and the achievement of the objectives thereof during the twelve (12) month period following such date; and

(b) not later than October 31 in each calendar year, commencing on October 31, 2003, and until Program completion, cause the MONE to carry out with the Bank and other third parties relevant to the implementation and development of the Program, including relevant academics and practitioners from the Borrower's provinces, a qualitative review on selected aspects of the Program during the preceding twelve (12) month period, on the basis of a selected topic established not later than October 31 in each calendar year for the said purposes and which shall focus on the outcomes of studies of different aspects of education, including those evaluation studies carried out under the Project, and, thereafter, the Borrower shall cause the MONE to carry out the measures resulting from the recommendations agreed upon with the Bank to ensure the efficient carrying out of the Program and the achievement of the objectives thereof during the twelve (12) month period following such date. For the purposes of the qualitative progress review scheduled not later than October 31, 2003, progress shall be reviewed on the basis of the study on information and communications technology utilization and the social impact studies presently being undertaken by the MONE.

5. The Borrower, through the MONE, shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Performance Indicators, the carrying out of the Project and the Program and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about January 30, 2004, 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 and the Program during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the Program and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by April 30, 2004 or such later date as the Bank 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 Program and the achievement of the objectives thereof, based on the conclusions and recommendations of the 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), (4), (5) and (6) 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 works, 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 of \$20,000,000 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 the amount of \$10,000,000 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 \$60,000,000.

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 for the Project, 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.

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