

CONFORMED COPY

CREDIT NUMBER 3077 ET

Development Credit Agreement

(Education Sector Development Program Support Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 4, 1998

CREDIT NUMBER 3077 ET

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 4, 1998, between FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association):

WHEREAS: (A) the Association has received a letter, dated April 16, 1998, which describes a program of actions, objectives and policies designed to strengthen the Borrower's education sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower, as part of the Program, having undertaken to carry out the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(C) the Borrower intends to obtain from various Donors (as hereinafter defined) grants and loans to assist in financing the Program; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

## General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as amended through December 2, 1997 (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) "ADF" means the African Development Fund;
- (b) "Birr" means the currency of the Borrower;
- (c) "CJSC" means the Borrower's Central Joint Steering Committee responsible for the overall coordination of the implementation of the Program;
- (d) "DFID" means the Department for International Development of the United Kingdom of Great Britain and Northern Ireland;
- (e) "Donors" means, collectively, the ADF, EU, UNDP, UNFPA, UNICEF, DFID, USAID, JICA, NORAD, SIDA, the respective Governments of the Kingdom of the Netherlands, Germany, Finland, Italy, Norway, and Ireland, and any other national or international agency contributing funds or technical assistance for the Program, and "Donor" means each and every donor individually; "EMA" means the Education Media Agency of MOE;
- (f) "EMPDA" means the Educational Material Production and Distribution Agency within the Borrower's MDE; "EMU" means each of the Education Media Units of each REB;
- (g) "EU" means European Union;
- (h) "Fiscal Year" or "FY" means the twelve-month period beginning July 8 of each Gregorian calendar year, and ending July 7 of the following Gregorian calendar year;
- (i) "ICDR" means the Institute for Curriculum Development and Research of MOE;
- (j) "JICA" means the Japan International Cooperation Agency;
- (k) "MOE" means the Borrower's Ministry of Education;
- (l) "NOE" means the National Organization for Examinations of MOE;
- (m) "NORAD" means the Norwegian Agency for Development Cooperation;
- (n) "Program Implementation Manual" or "PIM" means the manual referred to in Section 6.01 (a) of this Agreement, containing, inter alia, guidelines and procedures to be used for the purpose of implementation of the Program and Project, including financial, accounting, and disbursement procedures and guidelines, as the manual may be amended from time to time in consultation with the Association and the Donors, and such term includes any schedules to the PIM;
- (o) "REB" means each of RG's (as hereinafter defined) Regional Education Bureaus;
- (p) "Region" means each of the Borrower's Regions listed in Article 47 of the Borrower's Constitution of December 8, 1994, and the Addis Ababa City Council Administration and the Dire Dawa Council;
- (q) "RG" means each of the governments of the Borrower's Regions;
- (r) "RJSC" means each of the Regional Joint Steering Committees responsible for the coordination of the implementation of the Program in each Region;

- (s) "SIDA" means the Swedish International Development Agency;
- (t) "Subprogram" means the part of the Program, included in the Project, to be agreed upon each Fiscal Year between the Borrower, the Association and the Donors;
- (u) "UNDP" means the United Nations Development Program;
- (v) "UNFPA" means the United Nations Population Fund;
- (w) "UNICEF" means the United Nations Children's Fund; and
- (x) "USAID" means the United States Agency for International Development.

## 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 seventy-four million three hundred thousand Special Drawing Rights (SDR 74,300,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in the National Bank of Ethiopia on terms and conditions satisfactory to the Association. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be January 7, 2003, 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 1 and November 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each

May 1 and November 1, commencing November 1, 2008 and ending May 1, 2038. Each installment to and including the installment payable on November 1, 2018 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

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

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

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

#### ARTICLE III

##### Execution of the Project

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

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

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

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

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

(b) afford the Association a reasonable opportunity to exchange views with

the Borrower on said plan.

Section 3.04. (a) Not later than June 15, 1998 the Borrower shall adopt an action plan satisfactory to the Association designed to: (i) phase out all subsidies to EMPDA by July 8, 1999, and (ii) promote private sector participation in the education publishing industry; and (b) thereafter implement said action plan with due diligence and efficiency in accordance with the timetables included therein.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain, or cause to be maintained, records and accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Program of the departments or agencies of the Borrower responsible for carrying out the Program or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including the funds by the Donors, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested;

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request;

(iv) 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;

(v) enable the Association's representatives to examine such records; and

(vi) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) (ii) 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.

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

(i) maintain, or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account 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) (ii) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Remedies of the Association

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

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

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

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

(B) any such loan shall have become due and payable prior to the maturity thereof.

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

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that section.

#### ARTICLE VI

##### Effective date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) The Borrower has adopted the PIM in form and substance acceptable to the Association; and

(b) The Borrower has adopted the action plan referred to in paragraph 10 of Schedule 4 to this Agreement.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for Finance 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:

Minister of Finance  
Ministry of Finance  
PO Box 1905  
Addis Ababa  
Ethiopia

Telex:

21147

For the Association:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

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

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By /s/ Berhane Gebre-Christos

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President  
Africa

#### SCHEDULE 1

#### Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works, books, furniture, equipment, vehicles, training materials, and other goods, consultants' services, studies, training and incremental operating costs for Subprograms	up to 26,000,000 in the aggregate for FY98/99, and thereafter, such amount as may be allocated for each FY by the Association	100% of foreign expenditures and 90% of local expenditures for works, furniture, vehicles, materials, and equipment, and other goods, and 100% for consultants' services, training and operating costs, or such other percentage as the Association may determine from time to time
(2) Unallocated	48,300,000	
TOTAL	74,300,000	

2. For the purposes of this Schedule:

(a) the term "incremental operating costs" means the incremental expenses incurred on account of Program implementation, management, monitoring, and auditing, including office supplies, vehicle and equipment operation, transport, travel, per diem and supervision costs but excluding salaries of officials of the Borrower's civil service;

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

(c) the term "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.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement.

(b) a Subprogram, unless: (i) such Subprogram has been approved by the Association in accordance with, and subject to, the provisions of paragraph 6 of Schedule 4 to this Agreement; and (ii) the Borrower has submitted evidence satisfactory to the Association showing that: (A) its proposed annual budget for the Fiscal Year corresponding to the Subprogram is consistent with the objectives of the Program; and (B) the expenditures incurred in the previous Fiscal Year's Subprogram were made in compliance with the objectives of the Program.

(c) payments made for expenditures for goods, works, and services under a contract which any national or international financing institution or agency, other than the Association, shall have financed or agreed to finance under any other credit or grant.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods under contracts not exceeding \$200,000 equivalent; works under contracts not exceeding \$400,000 equivalent; and services of: (i) consulting firms not exceeding \$100,000 equivalent, and (ii) individual consultants not exceeding \$50,000 equivalent, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in implementing



Subprograms under the Program to provide universal access to primary education and improve the quality, efficiency, and social equity of education services.

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 objective:

The carrying out of Subprograms for:

Part A: Basic Education

1. Construction, expansion, furnishing, and equipping of primary schools in rural and underserved areas of the territory of the Borrower.
2. Improving the quality of basic education through: (a) training of head teachers in school management; (b) training of teachers; (c) acquisition of instructional materials and books; (d) preparation and implementation of non-formal education programs for out-of-school children, youth, and adults; (e) upgrading and refurbishing school facilities; (f) preparation and implementation of programs designed to enhance the relevance of basic education, including use of local languages and adaptation of curricula and books to local socio-cultural environment; and (g) promotion, preparation, and implementation of innovative activities designed to improve the delivery of basic education services.

Part B: Secondary Education

1. Construction, expansion, furnishing, and equipping of secondary schools.
2. Improving the quality of secondary education through: (a) training of teachers; (b) acquisition of instructional materials and books; and (c) preparation and implementation of distance education programs for out-of-school youth and adults.

Part C: Technical and Vocational Education and Training

1. Improving the facilities and equipment of training centers, and construction and equipping of technical schools.
2. Improving the quality of technical and vocational education and training through: (a) training of teachers; (b) carrying out of market demand surveys, employer surveys; and (c) increased participation of the private sector in the design of curricula and in the provision and financing of training services.

Part D: Teachers Training Institutes and Colleges

1. Construction, rehabilitation/upgrading and equipping of teachers training institutes and colleges, and acquisition of instructional materials, teacher-guides, and books.
2. Enhancing the skills of trainers and improving the quality of training programs through: (a) the establishment of national standards for certification of trainers; (b) implementation of a new curriculum; and (c) preparation and implementation of distance education programs for upgrading teachers' skills.

Part E: Tertiary Education

1. Establishment of health faculties and education faculties, and upgrading of engineering colleges, medical schools and education faculties, within the Borrower's higher education system, through the construction of facilities, the acquisition of equipment and the provision of technical advisory services and training.
2. Preparation of a strategy for the diversification of the resource base of the tertiary education.
3. Promotion, preparation, and implementation of innovative activities designed to improve the curriculum and delivery of tertiary education services.

Part F: Institutional Development

1. Strengthening the capacities of MOE in: (i) research and policy development, (ii) establishment of education standards, (iii) planning, budgeting and auditing, and (iv) monitoring and evaluation, through the acquisition of equipment, and provision of technical advisory services and training.

2. Strengthening the capacities of REBs to: (i) adapt national policies to the conditions prevailing in their respective Regions, and (ii) implement, monitor, and evaluate the Program and the Project, through the acquisition of equipment, and provision of technical advisory services and training.

3. Strengthening the capacities of EMA and EMUs in program development, research and evaluation, and technology development, through the upgrading of facilities, the acquisition of equipment, and the provision of technical advisory services and training.

4. Strengthening the capacities of ICDR to: (i) prepare curriculum guidelines, (ii) promote the use of national languages as a medium for education, (iii) increase gender sensitivity in the education system, and (iv) improve curriculum implementation in the classroom, through the acquisition of equipment, instructional materials and books, and the provision of technical advisory services and training.

5. Strengthening the capacities of NOE to: (i) prepare, administer, monitor, and evaluate national examinations, and (ii) carry out a national learning achievement sample baseline survey for grade 4, and a sample survey to assess the learning impact of the Program.

\* \* \*

The Project is expected to be completed by July 7, 2002.

### SCHEDULE 3

#### Procurement and Consultants' Services

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

###### Part A: General

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

###### Part B: International Competitive Bidding

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

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

###### (a) Prequalification

Bidders for civil works estimated to cost the equivalent of \$10,000,000 or more shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

###### (b) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$200,000 equivalent or more each.

###### (c) Preference for Domestically Manufactured Goods and Domestic Contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2

thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

(d) Notification and Advertising

The invitation to prequalify or 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. Limited International Bidding

Higher education and technical secondary and vocational school textbooks, and reference materials, estimated to cost \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, which the Association agrees can only be purchased from a limited number of suppliers, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

(a) goods, including textbooks, estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost less than \$1,000,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. International Shopping

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

4. National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$2,000,000 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.

5. Procurement of Small Works

Works estimated to cost \$75,000 equivalent or less per contract, and not to exceed \$4,500,000 in the aggregate, may be procured under lump sum, fixed price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work and who has the experience and resources to successfully complete the contract.

6. Direct Contracting

Contracts for: (i) the extension of an existing contract for goods or works, (ii) the purchase of standard equipment or spare parts, or (iii) the purchase of proprietary equipment, may, with the Association's prior agreement, be awarded on the basis of direct contracting procedures in accordance with the provisions of paragraphs 3.7 of the Guidelines.

7. Procurement from UN Agencies

Vehicles and equipment estimated to cost \$100,000 equivalent or less per contract, may be procured from the Inter-Agency Procurement Services Organization of

the United Nations in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply to: (i) each contract for goods estimated to cost the equivalent of \$200,000 or more, and works estimated to cost the equivalent of \$400,000 or more, and (ii) the first three contracts for works and goods in each of the Borrower's Regions, regardless of their estimated cost.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (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 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 shortlist of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for small contracts estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services for consultants may, with the Association'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 consultants estimated to cost the less than \$50,000 equivalent per

contract, up to aggregate amount not to exceed \$100,000 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 Association 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 each Subprogram 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 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 contract for the employment of consulting firms and non-governmental organizations estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 and (other than the third subparagraph of paragraph 2 (a)) 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms and non-governmental organizations estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$100,000 or more, 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 1 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 shall implement the Program in accordance with the procedures set out in the PIM and, except as the Association shall otherwise agree, the Borrower shall not amend, or waive any provision thereof if, in the opinion of the Association and the Donors, such amendment, or waiver may materially and adversely affect the implementation of the Program.

2. (a) MOE shall be responsible for: (i) the overall implementation of the Program, and (ii) the implementation of activities under the Program which fall within the jurisdiction of the Borrower's central departments and agencies; and (b) REBs shall be responsible for the implementation of the parts of the Program to be carried out in their respective Regions.

3. (a) CJSC shall be responsible for the overall supervision, monitoring, and coordination of the implementation of the Program, including overseeing the education sector policy reform, coordinating the sector-wide Subprograms, mobilizing resources for the implementation of the Program, approving work plans, recommending budgets under the Program, and coordinating the assistance from Donors to the Program; and (b) RJSCs shall be responsible for the supervision, monitoring and coordination of the implementation of the Program at the regional level, including allocating resources for the implementation of the Program, approving work plans, recommending budgets under the Program. The Borrower shall maintain CJSC until the completion of the Program, with composition and terms of reference acceptable to the Association, and cause its RGs to maintain the RJSCs for their respective Regions, until the completion

of the Program, with composition and terms of reference acceptable to the Association.

#### Performance Indicators

4. The Borrower shall:

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

(b) not later than by the end of February each year, commencing February 1999, undertake, in conjunction with the Association, Donors, and REBs, a joint annual review on all matters relating to the progress of the Program and, in particular the progress achieved in the implementation of the Program during the previous Fiscal Year, having regard to the monitoring indicators referred to in subparagraph (a) of this paragraph; and

(c) furnish to the Association and the Donors: (i) semiannual financial statements indicating all revenues and expenditures for the education sector, according to the source of funds, the budget items and a selection of performance indicators agreed upon between the Borrower and the Association; and (ii) not later than one month prior to the annual review referred in paragraph 4 (b) above, or such later date as the Association may agree, a report, in such detail as the Association shall reasonably request, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in carrying out the Program during the previous fiscal Year and setting out the measures recommended to ensure the efficient carrying out of the Program and the achievement of the objectives thereof during the period following such date, and the report of actual expenditures against the budget for the previous Fiscal Year.

#### Annual Subprograms

5. The Borrower shall:

(a) not later than one month prior to the annual review referred to in paragraph 4 (b) above, or such later date as the Association may agree, furnish to the Association for its approval each proposed Subprogram for the following Fiscal Year, prepared in a manner satisfactory to the Association, taking into account its comments and views on the matter;

(b) carry out, or cause to be carried out, each such Subprogram in accordance with modalities and procedures as approved by, and in a manner satisfactory to, the Association and in accordance with the PIM; and

(c) not make any material change to the approved Subprogram without the prior approval of the Association.

6. Except as the Borrower and the Association shall otherwise agree, the Association shall not approve any proposal for a Subprogram furnished to it pursuant to subparagraph 5 (a) above unless and until:

(a) the Borrower shall have prepared and furnished to the Association an operational plan for the Subprogram, setting forth, inter alia, the activities to be carried out, any policy reforms and other measures to be implemented, the expenditures to be incurred, the sources of financing of such expenditures and the procurement plan to be followed; and

(b) the Association shall have been satisfied with the progress made to date in the carrying out of the current activities under the Subprogram to which the proposal relates on the basis of indicators referred to in paragraph 4 (a) of this Schedule.

7. Midterm Review

(a) Not later than by the end of February 2001, or such other date as the

Association shall agree, the Borrower shall carry out jointly with the Association, REBs, and Donors a midterm review of the progress made in carrying out the Program (hereinafter referred to as the Midterm Review).

The Midterm Review shall cover, among other things:

(i) an in-depth review of all components of the Program, and

(ii) a discussion of the options for ensuring the long-term sustainability of the education sector, including a review of the timeliness and adequacy of the Borrower's budgetary contribution to the financing of the Program.

(b) The Borrower shall, at least six (6) weeks prior to the Midterm Review, furnish to the Association a separate report describing the status of implementation of the Program and a summary report of Program implementation generally.

(c) The Borrower shall, not later than four (4) weeks after the Midterm Review, prepare an action plan, acceptable to the Association, for further implementation of the Program having regard to the findings of the Midterm Review and, thereafter, implement such action plan. Budget Management

8. MOE shall be responsible for the preparation and implementation of education budgets for the consolidated activities under Subprograms and the monitoring of the performance of sector delivery of education services.

9. REBs shall be responsible for organizing the provision of education services at the regional level in a manner consistent with the terms of reference set forth in the PIM. REBs shall prepare annual plans and budgets for their respective Regions. These will be incorporated in the annual Subprograms.

10. The Borrower shall adopt an action plan satisfactory to the Association designed to strengthen its financial management capacity to carry out the Program, and thereafter implement said action plan, in accordance with timetables included therein, with due diligence and efficiency.

11. The Borrower shall: (a) not later than the fifth year of the Program, carry out, under terms of reference satisfactory to the Association, an evaluation of the impact of the Program on the delivery of education services, including an analysis on the benefits derived by vulnerable groups of the population from public expenditures on education, and (b) soon thereafter, furnish the report of said evaluation to the Association.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Category" means Category (1) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$10,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$5,000,000 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 11,000,000. 2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

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

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

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

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

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

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

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

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

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

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

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence



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

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

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

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

