

CONFORMED COPY

LOAN NUMBER 3422 BEL

(Primary Education Development Project)

between

BELIZE

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated January 15, 1992

LOAN NUMBER 3422 BEL

LOAN AGREEMENT

AGREEMENT, dated January 15, 1992, between BELIZE (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) the Borrower intends to contract from the Overseas Development Agency (ODA) a grant in an amount equivalent to \$1,300,000 to assist in the financing of Parts A (6) and (7) of the Project on the terms and conditions set forth in an agreement (the ODA Grant Agreement) to be entered into between the Borrower and ODA; 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" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

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

(a) "BTTC" means Belize Teachers Training College;

(b) "CDU" means the Curriculum Development Unit within MOE;

(c) "Central Bank" means the Central Bank of Belize established by the Central Bank of Belize Act 1982;

(d) "MOE" means the Borrower's Ministry of Education; and

(e) "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 the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of seven million one hundred thousand dollars (\$7,100,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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 (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in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

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

Section 2.03. The Closing Date shall be June 30, 1999 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 commitment charge at the rate of three-fourths of one percent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (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 the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($\frac{1}{2}$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(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 Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. 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 as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MOE with due diligence and efficiency and in conformity with appropriate administrative, economic, educational and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

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

Section 3.03. The Borrower shall, not later than December 31, 1994 review with the Bank: (a) its progress in the implementation of the actions set forth in Schedule 5 to this Agreement; (b) the changes implemented by the Borrower in its system of teacher training, certification and remuneration; and (c) its progress in the implementation of the school maintenance plan and the textbook financing scheme referred to in Schedule 5, paragraphs (10) and (6), to this Agreement, respectively.

Section 3.04. The Borrower shall employ, by no later than 31 March, 1992: (i) a vice-principal for school districts in BTTC; and (ii) an examination officer in MOE; each such person with qualifications and experience satisfactory to the Bank.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than four 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 Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the 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.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely that:

(a) subject to paragraph (b) of this Section:

(i) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms thereof, or

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

(b) Paragraph (a) of this Section shall not apply if the Borrower establishes

to the satisfaction of the Bank that: (i) 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 (ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

ARTICLE VI

Effective Date; Termination

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

(a) all conditions precedent to the effectiveness of the ODA Grant Agreement have been fulfilled, other than those related to the effectiveness of this Agreement;

(b) the Borrower shall have employed a civil works supervisor and a financial administrative officer in the unit referred to in Schedule 5, paragraph 1 to this Agreement; all with qualifications and experience satisfactory to the Bank;

(c) the Borrower shall have furnished to the Bank, in form and substance satisfactory to the Bank, preliminary drawings and bidding documents for the works included in Part A.6 and Part B of the Project.

Section 6.02. The date April 14, 1992 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 Finance 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:

Financial Secretary
Ministry of Finance
Belmopan
Belize

Telex:

102 Foreign Belize

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in

the District of Columbia, United States of America, as of the day and year first above written.

BELIZE

By /s/ James Hyde

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Rainer Steckhan

Acting Regional Vice President
Latin America and the Caribbean

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:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Goods	1,800,000	100% of foreign expenditures and 100% of local expenditures (ex-factory cost)
(2) Civil Works	2,800,000	60%
(3) Incremental Costs	600,000	100% up to the time the aggregate amount of disbursements under this Category reaches the equivalent of \$100,000; 85% up to the time the aggregate amount of disbursements under this Category reaches the equivalent of \$202,000; 75% up to the time the aggregate amount of disbursements under this Category reaches the equivalent of \$314,000; 60% up to the time the aggregate amount of disbursements under this Category reaches the

equivalent of \$416,000; 50% up to the time the aggregate amount of disbursements under this Category reaches the equivalent of \$506,000; 35% up to the time the aggregate amount of disbursements under this Category reaches the equivalent of \$560,000; and 25% thereafter

(4) Consultants' Services	900,000	100% of foreign expenditures and 60% of local expenditures
(5) Training Fellowship and Study Trips	500,000	100% of foreign expenditures and 60% of local expenditures
(6) Unallocated	500,000	
TOTAL	7,100,000	

2. For the purposes of this Schedule:

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

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

(c) the term "Incremental Costs" means the cost of salary increments to be paid to primary school teachers which have completed the training referred to in Part A.2 (b) of the Project and not exceeding in the aggregate \$735,000, and the operational and maintenance costs relating to vehicles and equipment for the monitoring and supervision of the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed the equivalent of \$700,000, may be made on account of payments made for expenditures before that date but after April 1, 1991.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to improve the quality and efficiency of teachers providing primary education; (b) to improve the quality and availability of educational facilities and resources; and (c) to strengthen the planning and management of the Borrower's education sector.

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: Teacher Training

1. Introduction and implementation of a revised training and certification program for teachers.

2. (a) Design of teaching courses, and preparation of instructional materials, for

training teachers in, inter alia, multi-grade teaching, classroom management, methods of teaching the syllabuses and familiarization with curricula, and assessment and evaluation of pupils' learning; and (b) training of teachers in the training subjects referred to in 2 (a) above.

3. Reorganization and strengthening of BTTC to increase its planning and delivery capability including, inter alia, overseas training and short-term study visits abroad for BTTC's staff.

4. In-service training of primary school principals.

5. Supervision of inservice training courses for teachers, overseas training of BTTC staff to update and consolidate their skills in distance learning, management of teacher training, pupil assessment and professional development, and the management of learning resources.

6. (a) Construction of academic facilities for BTTC; and (b) acquisition and distribution of instructional materials, and acquisition and utilization of educational equipment for BTTC.

Part B: School Facilities Improvement

1. Construction or rehabilitation of about 105 classrooms in urban and rural schools.

2. Renovation and/or upgrading of four existing principal houses and construction of six new principal houses.

3. Design and implementation of a pilot scheme of multi-shift schooling involving selected schools where overcrowded classrooms are a serious obstacle to effective teaching and learning.

Part C: Curriculum Development and Application

Strengthening of the capacity of the CDU through:

(a) the preparation of a curriculum policy for the Borrower's primary education sector;

(b) the update of primary school curricula in mathematics, language arts, social studies, and science; and the development of curriculum guides for all grade levels, as well as multi-grade instructions;

(c) production and distribution of teaching guides and instructional materials;

(d) preparation and implementation of in-service training courses for teachers, principals and other education officers to ensure appropriate use of curriculum and learning materials;

(e) development of a language arts program for teaching English and other subjects to students who learn English as a second language;

(f) provision and utilization of equipment and a vehicle for the CDU; and

(g) overseas training, and study visits abroad for the CDU staff.

Part D: Textbooks and Teaching Materials

Planning, implementing and monitoring a textbook distribution program which shall include, inter alia: (a) the distribution of textbooks for mathematics, reading and English to all primary school children; and (b) the distribution of library and general reading materials to primary schools.

Part E: Examination Reform and Assessment

1. Carrying out of diagnostic tests to measure student achievement in mathematics and reading at the junior and middle levels of primary education.

2. Workshops to train teams of examination writers in science, mathematics, English, Spanish and the humanities.

3. Development of a system for processing national examinations on a microcomputer.
4. Carrying out of a campaign to inform the population of the purpose and nature of the education examination reform in Belize.
5. Training of staff of the examination unit of MOE in examination design and administration.
6. Construction of offices for the examination unit of MOE and provision of the equipment and furniture therefor.

Part F: Planning and Management

1. Strengthening of an education planning unit within MOE through:
 - (a) training, fellowships and study tours of selected staff;
 - (b) acquisition and utilization of equipment and materials to facilitate data collection, processing and dissemination of its management information system;
 - (c) preparation and updating of a school mapping survey for primary and secondary schools.
2. Studies: (a) on the demand and supply of teachers, MOE's staffing policies and practices and the incentive system to attract teachers to work in rural and remote area schools; and (b) to develop a five-year plan for school construction.
3. Improvement of MOE's management systems and methods for setting objectives, and monitoring and evaluating performance.
4. Improvement of MOE's budget processing, budget monitoring and accounting system.
5. Construction of an office for the district education officer and facilities for three education centers in Punta Gorda, San Ignacio and Dangriga and provision of the equipment and furniture therefor.

* * *

The Project is expected to be completed by December 31, 1998.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each 15 January and 15 July, beginning 15 July, 1997 through 15 July, 2008	295,000.00
And on January 15, 2009	315,000.00

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$100,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Belize may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Works shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Works estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$2,200,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Goods (other than furniture) estimated to cost less than the equivalent of \$100,000, per contract, up to an aggregate amount equivalent to \$210,000; and furniture up to an aggregate amount equivalent to \$320,000, may be procured under contracts awarded on the basis of competitive bidding advertised locally, in accordance with procedures satisfactory to the Bank.

4. Goods, including furniture estimated to cost less than the equivalent of \$25,000 or less per contract, up to aggregate amounts equivalent to \$100,000 in respect of goods and \$150,000 in respect of furniture and consumables, training materials and textbooks may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

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

(a) With respect to: (i) each contract procured pursuant to the provisions of Part A.1 hereof; (ii) each contract for works estimated to cost the equivalent of \$100,000 or more; and (iii) the first two contracts for goods and works procured pursuant to the provisions of Part C hereof, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

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

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Implementation Program

Actions to be taken by the Borrower	Date (by)
1. (a) Maintain a Project implementation unit with powers, responsibilities and staffing satisfactory to the Bank.)))))))

- (b) Employ: (i) a project director;)
and (ii) professional staff)
and support staff in numbers)
and with qualifications and) At all times
under terms of employment) during Project
satisfactory to the Bank.) implementation
)
 - (c) Provide promptly as needed)
all funds and other resources)
as shall be needed for the)
operation of such unit.)
2. (a) Employ at least 3 assistant)
district education officers. June 30, 1992
- (b) Employ the key staff in the)
Planning Unit of MOE. September 30,
1992
- (c) Employ an additional exami-)
nation officer in MOE. April 30, 1993
3. Without limitation to the provisions
of Section 9.07 of the General Condi-
tions:
- (a) Prepare and furnish to the Bank:
- (i) for its review and approval
by January 1, 1992, or
in the event that the Loan
Agreement is not yet
effective by such date,
by July 1, 1992, the first
Project implementation schedule
and expenditure plan in respect
of the first year; and
 - (ii) in respect of each sub-
sequent year thereafter,
by January 1, for its
review and approval: (a) an
evaluation of the Project
implementation results and
expenditures for the pre-
ceding year; (b) a review
of achievement and
shortfalls in the carrying
out of the Project to date,
based on established plans
and objectives; (c) an
implementation and expen-
diture plan for the follow-
ing year using criteria
acceptable to the Bank; and
(d) the results of periodic
assessments carried out by MOE
to measure student achievement
at the primary level.
- (b) Promptly take into account the Bank's
views and comments in relation to
the plans and schedules submitted
to the Bank in accordance with (a)
above, in a manner satisfactory to
the Bank.
4. Without limitation to the provisions
of Section 3.01 of the Loan Agreement
provide in its annual budgets,
and make available promptly
as needed:

- (a) for the financing of the Project, an amount of no less than: (i) for fiscal year 1992: \$500,000 equivalent; (ii) for fiscal year 1993: \$593,000 equivalent; (iii) for fiscal year 1994: \$678,000 equivalent; (iv) for fiscal year 1995: \$679,000 equivalent; (v) for fiscal year 1996: \$594,000 equivalent; (vi) for fiscal year 1997: \$597,000 equivalent; and (viii) for fiscal year 1998: \$599,000 equivalent; and
- (b) for the financing of operation and maintenance expenditures of its primary schools, each fiscal year, beginning in the fiscal year commencing on April 1, 1993, an amount of not less than \$300,000 equivalent each fiscal year.
5. Prepare, and furnish to the Bank for its comments, a plan for operation and maintenance of its primary schools. December 31, 1992
6. Adopt a policy, satisfactory to the Bank, whereby the fees paid by parents for the textbooks distributed to the primary school students would be used by the concerned schools for purchasing instructional materials. May 31, 1992
7. Increase the ratio of certified teachers to total number of teachers:
- (a) from 45% to 60% December 31, 1995
- (b) from 60% to 80% December 31, 1998
8. (a) Rehabilitate/construct 50 classrooms in primary schools December 31, 1993
- (b) Rehabilitate/construct 55 new classrooms December 31, 1996
9. Initiate the pilot scheme referred to in Part B.3 of the Project in 3 urban schools. September 1, 1993
10. Introduce revised curricula satisfactory to the Bank:
- (a) in infant, first and second grade September 30, 1994
- (b) in lower primary grades September 30, 1996
- (c) in upper primary grades September 30, 1998
11. Increase the ratio of students provided with basic textbooks to total number of students:
- (a) to 50% September 30, 1993
- (b) to 75% September 30, 1994
- (c) to 100% September 30, 1995

12. Complete:
- (a) statistical digests on enrollment dropout, repeat rate and other basic education data of the primary and secondary school students in its territory; December 31 of each year commencing December 31, 1992
 - (b) school map referred to in Part F.1 (c) of the Project; and December 31, 1993
 - (c) studies included in Part F (2) of the Project as follows:
 - (i) on the demand and supply of teachers December 31, 1994
 - (ii) on MOE's staffing policies and practices and the teacher incentive systems January 31, 1993
 - (iii) five-year plan for school construction December 31, 1993
13. (a) Design, diagnostic tests in math and language and disseminate and initiate their use September 30, 1993
- (b) Expand use of such tests to selected grade levels of primary school December 31, 1998
14. Construct 3 new education centers September 30, 1993
15. Distribute books and other educational materials to teacher resource centers September 30, 1993
16. Put into place for in-service training mechanism for primary school teachers at the district level:
- (a) in at least three districts September 30, 1993
 - (b) in at least three other districts September 30, 1994
17. (a) Commence the implementation of an improved program and financial management system; and December 31, 1996
- (b) complete such implementation December 31, 1997
18. Complete initial inservice training for all primary school principals December 31, 1995

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:
- (a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term "eligible expenditures" means expenditures in respect of the

reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$500,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 a deposit or deposits 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 in 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; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank 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 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.

