

CONFORMED COPY

CREDIT NUMBER 3192 LSO

Development Credit Agreement

(Second Education Sector Development Project (Phase I))

between

KINGDOM OF LESOTHO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 21, 1999

CREDIT NUMBER 3192 LSO

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 21, 1999, between KINGDOM OF LESOTHO (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated March 16, 1999, from the Borrower describing a program of actions, objectives and policies designed to improve the performance of its education sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower has requested that the Association support its execution of the Program through a series of Credits over a period of twelve years, the proceeds of such Credits to be utilized by the Borrower for implementing the Project;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, which Project forms the first phase of the Program, has requested the Association to assist in the financing of the Project;

(D) the Borrower intends to obtain or has obtained from various Donors (as hereinafter defined) loans and grants to assist in financing the Project; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower in support of the first phase of the Program 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), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries."

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "Donors" means any national or multinational agency contributing resources to, or technical assistance for, the Project;

(b) "ECOL" means the Examination Council of Lesotho;

(c) "Fiscal Year" or "FY" means the Borrower's fiscal year which runs from April 1 through March 31 of the year next following;

(d) "LCE" means the Lesotho College of Education;

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

(f) "NCDC" means the National Curriculum Development Center;

(g) "PER" means the Public Expenditures Review referred to in paragraph 5 of Schedule 4 to this Agreement;

(h) "PERSG" means the Public Expenditures Review Steering Group referred to in paragraph 5 of Schedule 4 to this Agreement;

(i) "Project Implementation Manual" or "PIM" means the Project Implementation Manual adopted by the Borrower and containing, inter alia, guidelines, timetables, procedures and other arrangements for the purpose of implementing the Project; such term includes any schedules and amendments to the PIM as the same may be amended from time to time, in consultation with, and with the consent of the Association;

(j) "Project Management Report" means each one of the reports prepared in accordance with Section 4.02 of this Agreement;

(k) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a letter of agreement signed by the Association on March 2, 1999, and countersigned by the Borrower on March 26, 1999;

(l) "PSLE" means the Primary School Leaving Examination;

(m) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

(n) "TVET" means Technical and Vocational Education Training.

## 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 fifteen million Special Drawing Rights (SDR 15,000,000).

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 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 purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank acceptable to the Association on terms and conditions satisfactory to the Association, including, appropriate protection against set off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 31, 2002, 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 June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 15 and December 15, commencing June 15, 2009 and ending December 15, 2038. Each installment to and including the installment payable on December 15, 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 judgement 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 pedagogical 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. Without limitation upon the provisions of paragraph (a) of Section 3.01 of this Agreement, and except as the Borrower and the Association shall otherwise agree the Borrower shall:

(a) open an account in a commercial bank acceptable to the Association, (the Project Account) and thereafter maintain said Project Account under terms and conditions acceptable to the Association until the completion of the Project;

(b) deposit into the Project Account: (i) an initial amount equivalent to \$350,000; and (ii) thereafter, on a quarterly basis, replenish the Project Account by the amounts required to finance the Borrower's contribution for expenditures under the Project other than those financed from the proceeds of the Credit, or grants and loans

made available by Donors, as shall be agreed upon between the Borrower and the Association; and

(c) ensure that funds deposited into the Project Account in accordance with paragraph (b) of this Section shall be used exclusively to finance expenditures under the Project other than those financed from the proceeds of the Credit, or grants and loans made available by Donors.

Section 3.03. 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 3.04. 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 to the Association a reasonable opportunity to exchange views with the Borrower on said plan.

#### 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 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 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; and

(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.

(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:

(a) of this (i) maintain, or cause to be maintained, in accordance with paragraph 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) of this Section and that the

report of such audit as to whether the statements of year, together with the procedures their preparation, can be relied upon to withdrawals. contains a separate opinion by said auditors expenditure submitted during such fiscal and internal controls involved in support the related

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than December 31, 2000, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) A situation shall have 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 grant or loan made to the Borrower for the financing of the Project 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 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 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 opened the Project Account and has deposited therein the initial amount referred to in Section 3.02 (b) (i) of this Agreement;

(b) the Borrower has: (i) established a financial management and accounting system satisfactory to the Association; and (ii) appointed the auditors referred to in Section 4.01 (b) of this Agreement, under terms and conditions acceptable to the Association and in accordance with the provisions of Section II of Schedule 3 to this Agreement; and

(c) the Borrower has adopted the PIM in form and substance satisfactory to the Association. 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 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:

Ministry of Finance  
P.O. Box 395  
Maseru, 100  
Lesotho

Cable address:

FINMIN

Telex:

4330 LO

For the Association:

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

Cable address:

INDEVAS  
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.

KINGDOM OF LESOTHO

By /s/ Leketekete V. Ketso

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Pamela Cox

Acting 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) Civil works	5,900,000	90%
(2) Equipment, vehicles, materials and supplies	1,500,000	100% of foreign expenditures and 90% of local expenditures
(3) Consultants' services and training	5,500,000	100%
(4) Incremental operating costs	350,000	90%
(5) Refunding of the Project Preparation Advance	350,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	1,400,000	
TOTAL	15,000,000	

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 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 operating costs" means expenditures incurred on account of Project implementation, management and monitoring including office consumables (such as communication expenses), tickets and subsistence costs for travel related to the Project, salaries for contractual staff, office rental, office supplies and maintenance, and fuel and maintenance for vehicles and equipment, but excluding



salaries of the Borrower's civil servants.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures made for: (a) civil works and goods not exceeding \$250,000 and \$100,000 equivalent, respectively; (b) for consulting firms under contracts not exceeding \$100,000 equivalent and for individual consultants' services under contracts 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 objectives of the Project are to assist the Borrower in its efforts to improve the performance and efficiency of its education sector inter alia by promoting equity, increasing access to education, improving the quality of primary and secondary education and establishing an adequate institutional framework for the provision of early childhood development services, technical and vocational training as well as non-formal education.

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

#### Part A: Early Childhood Development Program

1. (a) Formulation of an appropriate regulatory framework for the provision of early childhood development services within the Borrower's territory; and

(b) design of a national appropriate curriculum to be followed for the provision of early childhood development services.

2. Design and carrying out of a pilot program aimed at training providers (trainers and teachers) of early childhood development services in subject-matters pertaining to the provision of the said services in the most efficient manner.

3. Design and implementation of a pilot community-based scheme aimed at providing early childhood development services in the most cost-effective manner in two selected remote and less accessible areas in the Borrower's territory.

#### Part B: Improvement of Primary and Secondary Education

1. Carrying out of national consultations aimed at fostering the formulation and adoption of a national curriculum framework for primary and secondary education.

2. Upgrading ECOL and strengthening its capacity to enable it to carry out its mandate and enforce national examinations and certification standards in an effective and efficient manner.

3. Formulation and implementation of a Distance Teacher Education Program aimed at: (a) enhancing the provision of in-service training for teachers; and (b) increasing the numbers of teachers entering the pre-service training program from 200 to 500 for each year.

4. Improvement and expansion of primary school facilities through: (a) construction of about 200 additional primary classrooms; and (b) rehabilitation of about 26 existing student hostels at LCE.

5. Strengthening managerial capacity at the primary and secondary school level inter alia by: (a) promoting the establishment of school committees comprising representatives of school operators, parents and teachers; (b) fostering a wide dissemination of basic laws and regulations governing school operations; and (c) providing practical training to relevant school officials and school partners in general and financial management topics so as to enhance their ability to interact

efficiently within the school committees.

6. Design and implementation of a pilot scheme aimed at attracting and encouraging disadvantaged children from remote areas to enter the primary and secondary education system.

7. Carrying out of: (a) public expenditure reviews; and (b) a performance and budget management review; all within MOE aimed at gaining a better understanding of current deficiencies that affect budget and financial management in MOE so as to design appropriate management tools including medium term expenditures frameworks to redress those deficiencies.

8. Upgrading and updating MOE's management information system so as to increase its efficiency.

Part C: Enhancing the Technical and Vocational Education Framework

1. Establishment of a TVET management structure, encompassing representatives of the Borrower as well as those of employers and employees, with a view to developing technical and vocational education training programs consonant with the labor market needs.

2. Establishment of an accreditation system aimed at certifying the qualifications of those graduating from accredited technical and vocational schools.

3. Carrying out of a study to assess the full cost incurred by the Borrower to provide quality TVET within its territory with a view to identifying all appropriate alternative ways for ensuring the provision of quality TVET to the Borrower's nationals in the most cost-effective and sustainable manner.

Part D: Promotion of Non-formal Education.

1. Assessment of the respective role and functions of the public and private sectors in the provision and financing of non-formal education.

2. Formulation of plans to increase MOE's capacity to deliver non-formal education services which are consistent with its role and functions as identified in the assessment referred to in paragraph 1 above.

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The Project is expected to be completed by June 30, 2002.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with (a) 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, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines), and (b) the provisions of the following provisions of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

Part B: International Competitive Bidding

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

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

(a) Grouping of contracts

To the extent practicable, contracts shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each for goods and \$500,000 equivalent or more each for works.

(b) Preference for Domestically Manufactured Goods and Domestic Contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) School furniture, science laboratory kits, and printing of manuals, estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,200,000 equivalent, 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 \$500,000 equivalent per contract up to an aggregate amount not to exceed \$3,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Photocopiers, computers and office equipment, estimated to cost less than \$30,000 equivalent, per contract, up to an aggregate amount not to exceed \$ 300,000 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.

3. International Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, which are not available locally, 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. Procurement from UN Agencies Computers, office equipment and vehicles estimated to cost less than \$30,000 equivalent per contract up to an aggregate amount not to exceed \$200,000 equivalent, may be procured from, IAPSO, in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Procurement of Small Works

Works estimated to cost less than \$30,000 equivalent per contract, up to an amount not to exceed \$2,000,000 equivalent, 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 complete the contract successfully.

6. Community Participation

Works, up to an aggregate amount not exceeding the equivalent of \$ 1,000,000 for school construction may be procured in accordance with the provisions of paragraph 3.15 of the Guidelines and modalities and procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods 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

With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more and each contract for works estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

1. 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 and revised in January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

Part B: Quality- and Cost-based Selection

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

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

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

2. Selection Based on Least Cost

Services for audits and services estimated to cost less than \$50,000 up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks meeting the requirements of Section V of the consultant Guidelines 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 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 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 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 \$50,000 or less, 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 Project in accordance with the procedures, guidelines, timetables and criteria set forth in the PIM and, except as the Association shall otherwise agree, the Borrower shall not amend or waive any provision of said PIM if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

2. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the performance indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project; and

(b) furnish to the Association, for its review and comments: (i) not later than October 31 of each year, commencing on October 31, 1999, or such later date as the Association may agree, until the completion of the Project, the draft work programs (including those related to training activities, workshops and study tours) and budgets for the Project for the next Fiscal Year; and

(ii) not later than October 31 of each year, or such later date as the Association may agree, commencing on October 31, 2000, until the completion of the Project, an

annual report setting forth, inter alia: (A) a summary of the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph, and (B) progress achieved in the carrying out of the Project.

3. (a) By June 30, of each year, commencing June 30, 2000 or such later date as the Association may agree, until the completion of the Project, the Borrower and the Association shall carry out an annual review of the Project (hereinafter called the Annual Review); such Annual Review shall cover the progress achieved in the execution of the Project and, inter alia, review the information furnished in accordance with paragraph 2 (b) of this Schedule, and work programs to be carried out under the Project during the following FY.

(b) Following such Annual Review the Borrower shall carry out said work programs in accordance with modalities and procedures approved by the Association and in accordance with the PIM, and shall not make any material change to the approved programs without the prior approval of the Association.

4. (a) Not later than June 30, 2001, or such other date as the Borrower and the Association shall agree upon, the Borrower and the Association shall carry out a mid-term review (hereinafter referred to as the Midterm Review). The Borrower shall take all actions it considers necessary to ensure the participation of Donors, in such Midterm Review. Such Midterm Review shall cover the progress achieved in the implementation of the Project.

(b) Not later than one month prior to the Midterm Review, the Borrower shall furnish to the Donors including the Association, for their review and comments, a report, in such detail as the Association shall reasonably request, on the implementation of the Project.

(c) Following such Midterm Review, the Borrower shall act promptly and diligently in order to take any corrective action deemed necessary by the Association to remedy any shortcoming noted in the implementation of the Project and the Program, as the case may be, or to implement such other measures as may have been agreed upon between the Borrower and the Association in furtherance of the objectives of the Project.

5. The Borrower shall:

(a) until the completion of the Project, maintain the PERSG, with functions and membership satisfactory to the Association;

(b) ensure that, each year, a PER for the education sector is carried out by PERSG in accordance with the modalities set forth in the PIM;

(c) not later than August 31 of each year, submit to the Association for its review and comments a draft report on the PER referred to in paragraph (b) above; and  
(d) take into account the comments and recommendations made by the Association with a view to adjusting budgetary allocations for the education sector within the context of the Medium-Term Expenditures Framework (MTEF) methodology agreed upon with the Association, to levels acceptable to the Association as required to achieve the performance indicators referred to in Schedule 6 to this Agreement.

6. The Borrower shall: (a) not later than March 31, 2001, establish the TVET management structure and the TVET accreditation and graduate certification system referred to under Part C of the Project with membership and functions satisfactory to the Association; (b) not later than December 31, 1999, establish baseline data required to enable the Borrower to monitor adequately the progress achieved by the Borrower in the execution of the Project; and (c) ensure that the management information system referred to under Part B.8 of the Project is upgraded and updated regularly so as to provide the Borrower with reliable data required to measure the overall performance of its education sector.

7. The Borrower shall: (a) carry out the study referred to under Part C.3 of the Project; (b) not later than June 30, 2002, submit the results and recommendations of the said studies to the Association for its review and comments; (c) promptly take into account the comments and recommendations made by the Association; and (d) thereafter, implement the recommendations of the said studies as agreed and in

accordance with the timetable agreed upon with the Association.

8. The Borrower shall: (a) design the scheme referred to under Part B.6 of the Project not later than December 31, 2000; and (b) promptly thereafter take all measures required on its part, including the carrying out of advocacy campaigns aimed at attracting disadvantaged children into the classroom.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project, and to be financed out of the proceeds of the Credit 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 \$ 1,000,000 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 \$500,000 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 3,000,000.

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 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 eligible Categories, and in the 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 Categories for the Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the 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 paragraphs 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.

#### SCHEDULE 6

##### Performance Indicators

The Borrower shall implement the Project in accordance with the performance indicators set forth below:

1. The net enrollment rate in grades 1 to 7 shall have been increased from 68% to 73% by December 31, 2002.

2. Two separate laws, satisfactory in substance to the Association, shall have been enacted: (a) by December 31, 2000 with respect to the provision of technical and vocational education services; and (b) by December 31, 2001, with respect to the



organization and provision of non-formal education services.

3. An adequate framework, acceptable to the Association shall have been established to foster the financing of technical and vocational education services in a sustainable fashion.

4. By December 31, 2002, at least 70% of recurrent expenditures incurred by MOE shall have been expended for primary and secondary education services in accordance with the forecasts made through the MTEF.

5. By December 31, 2001 (a) Advisory and Management Committees (AMC) shall have been established in not less than 75% of primary and secondary schools duly accredited by the Borrower, and (b) the Borrower has submitted to the Association a report of such scope and detail as reasonably determined by the Association, on the performance of the said AMCs.

