

CONFORMED COPY

CREDIT NUMBER 3467 BD

Development Credit Agreement

(Post-Literacy and Continuing Education for Human Development Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 14, 2001

CREDIT NUMBER 3467 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 14, 2001, between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower intends to obtain from the Government of Switzerland, acting through the Swiss Agency for Development and Cooperation (SDC), a grant in an amount of \$7,000,000 (the Swiss Grant) to assist in financing part of the Project on terms and conditions set forth in an agreement (the Swiss Grant Agreement) to be entered into between the Borrower and SDC; and

(C) the Government of Switzerland and the Association intend to enter into an agreement (the Administration Agreement) making arrangements for the Association to process applications for withdrawal of the proceeds of the financing to be provided by the Government of Switzerland under the Swiss Grant Agreement and regulating certain other matters of common interest in connection with such financing.

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 October 6, 1999), 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 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries."; and

(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) "CBO" means a Community Based Organization operating in the territory of the Borrower;

(b) "CEC" means a Continuing Education Center, responsible for post-literacy and continuing education activities;

(c) "DNFE" means the Directorate of Non-Formal Education within PMED, and includes any successor thereto;

(d) "Eligible Categories" means, in respect of the Special Account for the Credit, Categories (1), (2), (3) and (4) set forth in the table in Part A.1 of Schedule 1 to this Agreement; and, in respect of the Special Account for the Swiss Grant, Categories (2) and (3) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(e) "Eligible Expenditures" means, in respect of the Special Account for the Credit, the expenditures for goods and services referred to in Section 2.02 of this Agreement and to be financed out of the proceeds of the Credit allocated from time to time to said Special Account's respective Eligible Categories; and, in respect of the Special Account for the Swiss Grant, the expenditures for goods and services referred to in Section 2.02 of this Agreement and to be financed out of the proceeds of the Swiss Grant allocated from time to time to said Special Account's respective Eligible Categories;

(f) "FY" or "fiscal year" means the fiscal year of the Borrower, commencing July 1 and ending June 30 of each year;

(g) "National Framework" means the national framework for non-formal education referred to in Part A.1 of Schedule 2 to this Agreement;

(h) "NFEP" means a non-formal education provider, being an NGO, a CBO or a PVO;

(i) "NGO" means a Non-Governmental Organization operating in the territory of

the Borrower;

- (j) "PIMU" means the Project Implementation Management Unit within DNFE;
- (k) "PMED" means the Borrower's Primary and Mass Education Division and includes any successor thereto;
- (l) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;
- (m) "PO" means Program Organizer at the upazila level;
- (n) "PVO" means a Private Voluntary Organization operating in the territory of the Borrower;
- (o) "Special Account" means any of the accounts referred to in Part B of Schedule 1 to this Agreement; and "Special Accounts" means all such accounts collectively;
- (p) "Swiss Grant Account" means the account opened by the Association on its books in the name of the Borrower to which the amount of the Swiss Grant is credited;
- (q) "Taka" means the currency of the Borrower;
- (r) "Upazila" means an administrative sub-district of the Borrower; and
- (s) "Union" means an administrative sub-district of the Borrower.

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 forty-one million eight hundred thousand Special Drawing Rights (SDR 41,800,000).

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

Section 2.03. The Closing Date shall be December 31, 2005 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 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 February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15 commencing August 15, 2011, and ending February 15, 2041. Each installment to and including the installment payable on February 15, 2021 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 non-formal 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 and consultants' services required for the Project and to be financed out of the proceeds of the Credit and the Swiss Grant shall be governed by the provisions of Schedule 3 to this Agreement.

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

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

(b) afford 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 a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles acceptable to the consistently applied, by independent auditors 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, report of such audit by said auditors, of such scope and in the such detail as the Association shall have reasonably requested including separate opinion by said auditors as to whether the submitted Project Management Reports or statements of expenditures internal during such fiscal year, together with the procedures and to controls involved in their preparation, can be relied upon support the necessary withdrawals; 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 and the Swiss Grant Account were made on the basis of Project Management Reports or 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 and the Swiss Grant 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 report of such audit contains a separate opinion by said auditors of the Association as to whether the Project Management Reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than December 31, 2001, 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 for the Project for the six-month period following period covered by said report; and
- (B) shows separately expenditures financed out of the proceeds of the Credit and the Swiss Grant during the period by said report and expenditures proposed to be of the proceeds of the Credit and the Swiss Grant 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 and the Swiss Grant, 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 event is specified, namely, that:

(a) Subject to paragraph (b) of this Section, the right of the Borrower to withdraw the proceeds of the Swiss Grant, shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Swiss Grant Agreement.

(b) Paragraph (a) of this Section shall not apply if the Borrower establishes to the satisfaction of the Association that:

- (i) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under the Swiss Grant 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 paragraph (a) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) 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 Project Proforma for the carrying out of the Project has been approved by the Borrower;

(b) key PIMU staff have been appointed by the Borrower; and

(c) all conditions precedent to the effectiveness of the Swiss Grant Agreement have been fulfilled, other than those related to the effectiveness of 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 Secretary, or the Additional Secretary, or any Joint Secretary, Joint Chief, Deputy Secretary, Deputy Chief, Senior Assistant Secretary, Senior Assistant Chief, Assistant Secretary or Assistant Chief of the Economic Relations Division of the Ministry 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:

Economic Relations Division
Ministry of Finance
Government of the People's Republic of Bangladesh
Dhaka, Bangladesh

Cable address:	Telex:	Facsimile:
BAHIRSAMPAD Dhaka	642226 SETU BJ 672796 SETU BJ	(880-2)-811-3088

For the Association:

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

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

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

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ Masihur Rahman

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Frederick Temple

Country Director, Bangladesh

SCHEDULE 1

Withdrawal of the Proceeds of the Credit and the Swiss Grant

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit and the Swiss Grant, the allocation of the amounts of the Credit and the Swiss Grant 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)	(Expressed in Dollars)	Amount of the Swiss Grant Allocated (Expressed in Dollars)	% of Expendi- tures to be Financed
(1) Goods foreign (ex- costs) and expenditures for other items procured	980,000			100% of expenditures, 100% of local expenditures factory 80% of local locally
(2) Consultants' services, training and dissemination	2,900,000		840,000	18%
(3) NFEP services	33,800,000		5,720,000	10%
(4) Incremental staff 2001 salaries and operating costs			1,420,000	100% for FY and FY 2002, for FY 2003 and FY 2004, and thereafter
(5) Unallocated	2,700,000		440,000	
TOTAL	41,800,000		7,000,000	

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 that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the

Borrower for goods or services supplied from the territory of the Borrower;

(c) the term "training and dissemination" means local and international training, including study tours provided, and media campaigns, workshops and other such activities conducted, under the Project; and

(d) the term "incremental staff salaries and operating costs" means: (i) the salaries and allowances of staff appointed to positions created in DNFE on or after January 1, 2001 for purposes of implementation of the Project; and (ii) the operation and maintenance costs of equipment and vehicles, and costs of consumables, procured under the Project.

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

4. The Association may require withdrawals from the Credit Account and the Swiss Grant Account to be made on the basis of statements of expenditure (SOEs) for expenditures for: (a) goods under contracts costing less than \$200,000 equivalent; (b) services under contracts costing less than \$100,000 equivalent for employment of firms and \$50,000 for employment of individuals; (c) training and dissemination; and (d) incremental staff salaries and operating costs, all under such terms or conditions as the Association shall specify by notice to the Borrower.

B. Special Accounts

1. The Borrower shall open and maintain in Taka two separate special deposit accounts, one each for the Credit and the Swiss Grant, in a commercial bank, on terms and conditions satisfactory to the Association.

2. After the Association has received evidence satisfactory to it that the Special Accounts have been opened, withdrawals from the Credit Account and the Swiss Grant Account, respectively, of amounts to be deposited into the Special Accounts shall be made as follows:

(a) until the Association shall have received:

(i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and

(ii) a request from the Borrower for withdrawal on the basis of Project Management Reports,

withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 4.02(b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of each Special Account shall be made exclusively for such Special Account's Eligible Expenditures. For each payment made by the Borrower out of each 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 such Special Account's Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into any Special Account:

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account or the Swiss Grant Account, as the case may be; or

(c) 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:

- (i) the records and accounts for such Special Account; or
- (ii) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of statements of expenditure or Project Management Reports.

5. The Association shall not be required to make further deposits into any Special Account in accordance with the provisions of Part B.2 of this Schedule 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 or the Swiss Grant Account, as the case may be, pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into such Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of any Special Account was made for an expenditure which is not an Eligible Expenditure for such Special Account, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into such Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into such 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 determines at any time that any amount outstanding in any Special Account will not be required to cover payments for such Special Account's Eligible Expenditures during the six-month period following such determination, 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 any Special Account.

(d) Refunds to the Association made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account or the Swiss Grant Account, as the case may be, for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement or the Swiss Grant Agreement, as the case may be.

Annex A to SCHEDULE 1

Operation of Special Accounts when Withdrawals are not made on the Basis of Project Management Reports

1. For the purposes of this Annex the term "Authorized Allocation" means: (a) in respect of the Special Account for the Credit, an amount equivalent to Tk.270,000,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to Tk.162,000,000 until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 9,000,000; and (b) in respect of the Special Account for the Swiss Grant, an amount equivalent to Tk.37,800,000 to be withdrawn from the Swiss Grant Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to Tk.21,600,000 until the aggregate amount of withdrawals from the Swiss Grant Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of \$2,000,000.

2. Withdrawals of any Special Account's Authorized Allocation and subsequent withdrawals to replenish such Special Account shall be made as follows:

- (a) For withdrawals of any Special Account's Authorized Allocation, the

Borrower shall furnish to the Association a request or requests for deposit into such Special Account of an amount or amounts which in the aggregate do not exceed such Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account or the Swiss Grant Account, as the case may be, and deposit into such Special Account such amount as the Borrower shall have requested.

(b) For replenishment of any Special Account, the Borrower shall furnish to the Association requests for deposit into such Special Account at such intervals as the Association shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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 or the Swiss Grant Account, as the case may be, and deposit into such 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 such Special Account for such Special Account's Eligible Expenditures. Each such deposit into such Special Account shall be withdrawn by the Association from the Credit Account or the Swiss Grant Account, as the case may be, under one or more of such Special Account's Eligible Categories.

3. The Association shall not be required to make further deposits into any Special Account, once the total unwithdrawn amount of the Credit or the Swiss Grant, as the case may be, allocated to such Special Account's Eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of expenditures to be financed out of the proceeds of the Credit or the Swiss Grant, as the case may be, allocated to such Categories, shall equal the equivalent of twice the amount of such Special Account's Authorized Allocation. Thereafter, withdrawal from the Credit Account or the Swiss Grant Account, as the case may be, of the remaining unwithdrawn amount of the Credit or the Swiss Grant, as the case may be, allocated to such 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 such Special Account as of the date of such notice will be utilized in making payments for such Special Account's Eligible Expenditures.

Annex B to SCHEDULE 1

Operation of Special Accounts when Withdrawals are made on the Basis of Project Management Reports

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account or the Swiss Grant Account, as the case may be, shall be deposited by the Association into the respective Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into any Special Account shall be withdrawn by the Association from the Credit Account or the Swiss Grant Account, as the case may be, under one or more of such Special Account's Eligible Categories.

2. Each application for withdrawal from the Credit Account or the Swiss Grant Account, as the case may be, for deposit into any Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Credit or the Swiss Grant, as the case may be, the Association shall, on behalf of the Borrower, withdraw from the Credit Account or the Swiss Grant Account, as the case may be, and deposit into the respective Special Account an amount equal to the lesser of (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance such Special Account's Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in such Special Account, shall not exceed the equivalent of Tk.540,000,000 in respect of the Special Account for the Credit, and Tk.75,600,000 in respect of the Special Account for the Swiss Grant.

SCHEDULE 2

Description of the Project

The objective of the Project is to increase the functional application of literacy skills by providing post-literacy and continuing education to neo-literates through a comprehensive and enhanced system of non-formal education.

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

Part A: Promotion of Enhanced and Comprehensive Non-Formal Education

1. Development of a national framework for non-formal education, (the National Framework), and advocating and dissemination of the concepts, definitions, strategies, principles and initiatives proposed thereunder.
2. Development of a national perspective plan with a long term vision for the non-formal education sector.
3. Carrying out of studies on the desirability and feasibility of equivalency programs.

Part B: Support for Post-Literacy Implementation

Carrying out of post-literacy courses through Non-Formal Education Providers (NFEPs), based on successful pilot models.

Part C: Establishment of Continuing Education Services

1. Provision of support for CECs to extend the reach of continuing education opportunities.
2. Provision of assistance to NFEPs to develop and offer courses demanded by learners at CECs.
3. Provision of support for the Program Organizers (POs) to link CECs with organizations and services aimed at neo-literates.
4. Carrying out of continuing education activities through NFEPs, based on neo-literates needs and interest and local demands for skills.

Part D: Strengthening of Institutional Capacity

1. Provision of assistance to DNFE for strengthening its planning, administrative, financial, technical, information and monitoring systems, in order to support the management of enhanced DNFE activities.
2. Provision of support for the assessment of staff development needs and preparation and implementation of plans for local and international training in the field of non-formal education.

* * * * *

This Project is expected to be completed by June 30, 2005.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

1. Goods 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 Parts 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 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 to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

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

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods 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) Improvement of Bidding Procedures

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the Procurement Guidelines:

- (i) standard bidding documents approved by the Association shall be used;
- (ii) invitations to bids shall be advertised in at least one widely circulated national daily newspaper and bidding documents made available to prospective bidders, at least 28 days prior to the deadline for the submission of bids;
- (iii) bids shall not be invited on the basis of percentage premium or discount over the estimated cost;
- (iv) bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
- (v) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;
- (vi) qualification criteria (in case pre-qualifications were not carried out) shall be stated in the bidding documents, and if a registration process is required, a foreign firm determined to be the lowest evaluated bidder shall be given reasonable opportunity of registering, without any let or hindrance;
- (vii) bidders may deliver bids, at their option, either in person or by courier service or by mail;
- (viii) all bidders shall provide bid security as indicated in the bidding documents. A bidder's bid security shall apply only to a specific bid;
- (ix) bids shall be opened in public in one place immediately, but no later than one hour, after the deadline for submission of bids;
- (x) evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and specified period agreed with the Association;
- (xi) a bid shall not be rejected merely on the basis of a comparison

the with an official estimate without the prior concurrence of Association;

(xii) split award or lottery in award of contracts shall not be carried out. When two or more bidders quote the same lowest price, an investigation shall be made to determine any evidence of collusion, following which (A) if collusion is determined, parties involved shall be disqualified and the award shall be made to the next lowest evaluated and qualified bidder and (B) if no evidence of collusion can be confirmed, then fresh bids shall be invited after receiving the concurrence of the Association;

(xiii) contracts shall be awarded to the lowest evaluated bidders within the initial period of bid validity so that extensions are not necessary. Extension of bid validity may be sought only under exceptional circumstances;

(xiv) extension of bid validity shall not be allowed without the prior concurrence of the Association (A) for the first request for extension if it is longer than eight weeks and (B) for all subsequent requests for extensions irrespective of the period;

(xv) negotiations shall not be allowed with the lowest evaluated or any other bidders;

(xvi) re-bidding shall not be carried out without the Association's prior concurrence; and

(xvii) all contractors or suppliers shall provide performance security as indicated in the contract documents. A contractor's or a supplier's performance security shall apply to a specific contract under which it was furnished.

2. International or National Shopping

Goods estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$750,000 equivalent, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Journals, magazines and newspapers which may be procured directly off-the-shelf or through subscription, and costing \$1,500 equivalent or less per contract, may be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

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 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

(a) With respect to (a) each contract for goods estimated to cost the equivalent of \$200,000 or more, and (b) the first two contracts procured in accordance with the procedures set forth in Part C, paragraph 1(a) of this Section (National Competitive Bidding), 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 (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

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/NFEPs

1. Selection of NFEPs

NFEP services for program delivery under Parts B and C of the Project may be procured under contracts awarded in accordance with procedures acceptable to the Association.

2. Least-cost Selection

Services for performance auditing and for other contracts estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Single Source Selection

Training and dissemination services under the Project 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.

4. Individual Consultants

Services for the tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 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 the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services 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 \$100,000 or more, the procedures set forth in

paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)), 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

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

(c) Notwithstanding the provisions of paragraphs (a) and (b) above, terms of reference for all contracts for consultant services shall be furnished to the Association for prior review and approval.

(d) With respect to NFEP services, draft requests for project proposals, DNFE's evaluation reports, and, in the case of services estimated to cost the equivalent of \$100,000 or more per contract, also draft contracts shall be furnished to the Association for its prior review and approval. The contracts shall be awarded only after the said approvals shall have been given.

3. Post Review

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

SCHEDULE 4

Implementation Program

1. The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about May 31, 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by July 31, 2003, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

2. The Borrower shall cause two performance audits of the Project to be carried out, the first covering a period of two and one-half years from the Effective Date, for purposes of which the auditors shall be appointed, in accordance with the provisions of Section II of Schedule 3 to this Agreement, not later than June 30, 2002; and the second covering the next following period ending March 31, 2005, for purposes of which the auditors shall be appointed, in accordance with the provisions of Section II of Schedule 3 to this Agreement, not later than September 30, 2004.

3. The Borrower shall, through PMED/DNFE:

(a) not later than August 31 2001, start the development of the National Framework towards preparation of a perspective plan with a long term vision by August 31, 2003. In carrying out this exercise, the Borrower shall ensure collaboration, inter alia, with all relevant individuals, groups and organizations involved in non-formal education in Bangladesh, such as intellectuals, expert academics, government agencies, non-governmental organizations, local communities and beneficiaries, at the national and sub-national levels;

(b) not later than December 31, 2002, carry out studies on the desirability and feasibility of equivalency programs in Bangladesh;

(c) not later than June 30, 2002, develop an advocacy and dissemination plan

in respect of the National Framework, and thereafter conduct advocacy and dissemination training and workshops at the national, district, upazila and union levels on a regular basis; and

(d) from time to time and as dictated by the needs of the Project, develop and disseminate information, education and communications (IEC) materials and conduct a media campaign.

4. The Borrower shall, through DNFE:

(a) select post-literacy models, identify post-literacy locations, contract the services of NFEPs in accordance with criteria and procedures satisfactory to the Association, train NFEPs and cause them to implement post-literacy training activities;

(b) from time to time and as dictated by the needs of the Project, establish CECs and Center Management Committees (CMCs), and employ and train Center Facilitators;

(c) not later than June 30, 2001, establish Divisional Teams for purposes of supporting NFEPs in their task of improving, promoting and providing post-literacy and continuing education services;

(d) not later than July 31, 2001, contract the services of POs for purposes of linking learners with continuing education, credit and employment opportunities;

(e) in collaboration with the contracted NFEPs, implement continuing education activities in the targeted upazilas and villages; and

(f) keep PIMU fully staffed throughout the Project implementation period.

5. The Borrower shall, through DNFE/PIMU:

(a) be responsible for the financial management, procurement, logistics, reporting to the Association on the project progress, and coordinating with the other PMED line departments;

(b) (i) prepare annual plans of operation and supervise its effective implementation;

(ii) prepare annual budgets, procurement plans and progress reports;

(iii) ensure the collection of field expenditure vouchers and prepare statements of expenditure (SOEs) and Project Management enable the timely replenishment of funds, auditing of the expenses and submission of the audited statements to the Association;

Reports to
Project

(iv) support proper use of the Management Information System (MIS) and effective monitoring and evaluation of project activities; and

(v) assist in the organization of seminars/workshops relevant to the Project; and

(c) develop plans satisfactory to the Association to improve staff capacity and provide staff training.

