

CONFORMED COPY

CREDIT NUMBER 2111 SO

Development Credit Agreement

(Education Rehabilitation Project)

between

SOMALI DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 1, 1990

CREDIT NUMBER 2111 SO

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 1, 1990, between SOMALI DEMOCRATIC REPUBLIC (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 Association has received letters dated November 15, 1989, and November 25, 1989, (the Policy Letters) from the Borrower describing a program of action, objectives and policies designed to achieve structural adjustment of the Borrower's education sector (the Program) and declaring the Borrower's commitment to the executing of the Program;

(C) the Borrower intends to obtain from the United Nations Capital Development Fund (UNCDF) a grant (the UNCDF Grant) in an amount equivalent to approximately three million two hundred thousand dollars (\$3,200,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the UNCDF Grant Agreement) to be entered into between the Borrower and

UNCDF; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreement" of the Association, dated January 1, 1985, with the modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 9.06 (c) shall be modified by adding the following at the end of such Section:

"Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the Program referred to in the Preamble to the Development Credit Agreement."; and

(b) the last sentence of Section 3.02 is deleted.

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

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

(c) "NEB" means the National Examination Board;

(d) "PED" means the Primary Education Department within MOE;

(e) "PMU" means the Project Management Unit established within MOE in accordance with Section 6.01 (a) of this Agreement and paragraph 1 of Schedule 4 to this Agreement;

(f) "CEA" means, with respect to any school, the Community Education Association for such school registered with MOE in accordance with the Borrower's Administrative Circular Number 110/7/602 of February 25, 1990; and

(g) "SMTU" means the School Management Training Unit within MOE.

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 nineteen million seven hundred thousand Special Drawing Rights (SDR 19,700,000).

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 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 shall, for the purposes of the Project, open and maintain in Dollars a special account in the Central Bank of Somalia or in such other bank acceptable to the Association on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1998, 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 cancelled; 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 March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 15 and September 15 commencing September 15, 2000, and ending March 15, 2030. Each installment to and

including the installment payable on March 15, 2010, 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 gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; 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 terms of repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the Association may revise such modification 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.

(c) 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 through MOE with due diligence and efficiency and in conformity with appropriate educational, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

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

Section 3.03. (a) The Borrower and the Association shall, from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail and at such time as the Association shall reasonably request.

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, a certified copy of 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, 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:

- (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 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 contains a separate opinion by said auditors as to whether the statements of expenditure

submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

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

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

(b) The Borrower has made changes in the Education Sector Financing Plan for the period 1990-1994 (attached to the Policy Letter dated November 25, 1989) without consultation with, and concurrence of, the Association.

(c) The Borrower has failed to make budgetary allocations satisfactory to the Association for the education sector in any given year beginning with fiscal year 1990 or has failed to authorize the use of such funds.

(d) The UNCDF Grant Agreement shall have failed to become effective by September 30, 1990, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that 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.

(e) (i) Subject to subparagraph (ii) of this paragraph, 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, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that (A) such suspension, cancellation or termination 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 (d) of the General Conditions, the following additional event is specified, namely that any event specified in Section 5.01 (e) (i) of this Agreement shall occur with respect to any loan made to the Borrower for the financing of the Project unless the requirements set forth in Section 5.01 (e) (ii) of this Agreement are satisfied in respect thereof.

ARTICLE VI

Effective Date; Termination

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

(a) that the Borrower shall have established PMU within MOE and appointed the Director of PMU, with qualifications and experience acceptable to the Association, and that the Director shall have taken up his or her position; and

(b) that the Borrower shall have appointed the advisor for the monitoring and evaluation unit (as described in paragraph 9 (c)(i) of Schedule 4 to this Agreement), with qualifications and experience acceptable to the Association, and that the advisor shall have taken up his or her position in MOE.

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

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Finance and Revenue
Government of the Somali Democratic Republic
Mogadishu
Somalia

Cable address: Telex:

MINFIN 3612 MINFIN
Mogadishu Mogadishu

For the Association:

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

Cable address: Telex:

INDEVAS 197688 (TRT)
Washington, D.C. 248423 (RCA)
 64145 (WUI) or
 82987 (FTCC)

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.

SOMALI DEMOCRATIC REPUBLIC

By /s/ A. A. Omar
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox
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	5,200,000	90%
(2) Instructional materials, equipment and furniture	4,450,000	100% of foreign expenditures and 90% of local expenditures
(3) Vehicles	450,000	100% of foreign expenditures and 90% of local expenditures
(4) Consultants' Services	1,510,000	100%
(5) Training	2,650,000	100%
(6) Incremental Operating Costs	830,000	100% to December 31, 1991, 80% from January 1, 1992 to December 31, 1993, 50% from January 1, 1994 to December 31, 1995, and 30% from January 1, 1996 and thereafter
(7) Project Management Costs	230,000	90% of local expenditures
(8) Monitoring and Evaluation	530,000	100%
(9) Unallocated	3,850,000	
TOTAL	19,700,000	

2. For the purposes of this Schedule:

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

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

(c) the term "Incremental Operating Costs" means costs associated with maintenance of buildings and equipment, and operation and repairing of vehicles, over and above what these costs would have been without the Project; and

(d) the term "Project Management Costs" means costs associated with the management of the Project, including allowances for local staff.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures: (a) prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of SDR 100,000 may be made on account of payments made for expenditures before that date but after March 1, 1990; and

(b) under Category (1) for rehabilitation of any school unless (i) that particular school has an established CEA recognized by MOE; and (ii) the Borrower has provided evidence, satisfactory to the Association, showing that the Education Facilities Section of MOE is operational and has adequate resources.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to restructure and revitalize the education system as a whole; and (ii) to improve primary school enrollment, the quality of teaching, and the overall management of the sector, all in accordance with the Program.

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: Primary School Teachers

1. Development and use of in-service training programs to improve the professional competence of primary school teachers.
2. Local and overseas training of teacher training tutors.
3. Training of about 1500 primary school teachers in academic and teaching skills.
4. Carrying out workshops for curriculum specialists, headmasters, and secondary school teachers.
5. Provision of vehicles and teaching materials.

Part B: Textbooks

1. Production, printing, storage and distribution to

schools of about 1.6 million textbooks and 100,000 teachers' guides, and acquisition of other school supplies.

2. Strengthening the Curriculum Development Center's (CDC) capacity to prepare textbooks and manuscripts through:

(a) training of CDC staff in manuscript preparation; and

(b) the provision of equipment, paper, and vehicles.

Part C: School Buildings

1. Rehabilitation of classrooms, offices and warehouses.

2. Construction of about 700 new classrooms, about 120 houses for headmasters and about 15 houses for teachers, as well as of offices, stores, warehouses, water supply systems, latrine blocks and other related buildings.

3. Strengthening the capacity of the Schools Building Unit and the Education Facilities Section of MOE to carry out rehabilitation and construction work through training of their staff and the provision of materials and vehicles.

4. Provision of furniture and equipment for schools.

Part D: Institutional Development

1. Strengthening MOE's capacity to collect and analyze statistical data through training of its staff and the provision of computer equipment.

2. Developing programs for computer application in education planning, including training of MOE's staff and the provision of computer equipment, vehicles and photocopying equipment.

3. Carrying out: (a) a census of MOE staff; (b) studies for MOE on (i) personnel management, (ii) financial management, and (iii) organizational procedures and operations; and (c) evaluations of the Project's impact.

4. Strengthening MOE's capacity in financial and personnel management through training of personnel officers, financial administrators, accountants and storekeepers.

5. Strengthening PED of MOE through: (a) establishment of Community Education Services; (b) training programs in school management for headmasters, assistant headmasters and other staff; and (c) the provision of calculators, radio receivers, typewriters, photocopying equipment and vehicles.

6. Strengthening MOE's capacity in school inspection through: (a) training of school inspectors; and (b) provision of vehicles and other equipment, office furniture and other supplies.

7. Strengthening NEB through: (a) training of its staff, including organizing workshops; and (b) provision of computer equipment, vehicles and office supplies.

* * *

The Project is expected to be completed by December 31, 1997.

SCHEDULE 3

Procurement and Consultants, Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).
2. Bidders for works shall be prequalified as provided in paragraph 2.10 of the Guidelines.

Part B: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Civil works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
2. Items or groups of items for goods estimated to cost the equivalent of less than \$50,000 per contract, up to an aggregate amount equivalent to \$250,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures acceptable to the Association.
3. Items or groups of items for goods estimated to cost the equivalent of less than \$20,000 per contract, up to an aggregate amount equivalent to \$100,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures satisfactory to the Association.

Part E: Review by the Association of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

2. Review of invitations to bid and of proposed awards and final contracts with respect to each contract:

(a) for civil works estimated to cost the equivalent of \$200,000 or more, and goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished

to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract; and

(b) not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

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

Section II. Employment of Consultants

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

SCHEDULE 4

Implementation Program

Project Management and Coordination

1. The Borrower shall, not later than December 31, 1990, appoint to PMU, to be established within MOE, staff in numbers and under terms of reference acceptable to the Association. PMU shall:

(a) coordinate and monitor all educational activities under the Project;

(b) be responsible for the procurement and distribution of textbooks;

(c) be responsible for the overall physical rehabilitation and school construction program;

(d) prepare annual work programs for each MOE department carrying out the Project;

(e) submit the annual work program to the joint MOE/Association annual review referred to in paragraph 9 below;

(f) be responsible for the recruitment of consultants; and

(g) select, in collaboration with other departments of MOE, candidates for fellowships and prepare training programs under the Project.

Part A of the Project - Primary School Teachers

2. In order to maintain an adequate number of teachers at all times, the Borrower shall maintain the capacity for pre-service primary teacher training at current

levels and shall not expand such training programs without prior consultation with the Association.

3. In order to improve the quality of teachers, the Borrower shall:

(a) not later than September 30, 1990, establish, to the satisfaction of the Association, the following: (i) training programs for primary school teachers to obtain secondary school teaching qualifications; (ii) procedures for admission of primary school teachers into the Lafole College of Education; and (iii) pre-service primary school teacher training programs; and

(b) not later than July 1, 1991, implement a career incentive package for teachers who successfully complete the four phases of in-service training. The incentive package, shall include (i) the award of a Diploma of Primary Teaching, (ii) a one-step promotion in the civil service grade, and (iii) a monthly professional allowance of 1000 Somali Shillings in constant 1989 Shillings, to be received so long as the teacher remains a primary school teacher.

4. In order to improve the quality of headmasters, the Borrower shall, not later than July 1, 1992: (i) train headmasters in school administration and management and other related fields; and (ii) require completion of an approved headmaster training program covering these fields as a condition for appointment to the position of headmaster or assistant headmaster in primary schools.

Part B of the Project - Textbooks - Pilot Cost Recovery Scheme

5. (a) The Borrower shall implement by July 1, 1993, a pilot cost recovery scheme for textbooks distributed for academic year 1993-1994 in the Benadir Region. Under the scheme, each student in the Benadir Region shall be required to pay a user's fee for each assigned textbook, and the fees will be used to finance future needs, such as procuring additional textbooks.

(b) At the end of the year, the cost recovery scheme will be evaluated for possible implementation in other parts of the country.

(c) The results of the evaluation shall be reviewed by the Association during the joint annual review referred to in paragraph 9 below.

Part C of the Project - School Buildings

6. To assist the Borrower in carrying out Part C of the Project, the Borrower shall establish an Education Facilities Section (EFS) within MOE with staffing and under terms of reference acceptable to the Association. The EFS shall:

(a) conduct school surveys to update information on physical condition of schools and determine requirements for repairs and maintenance;

(b) prepare annual work programs for construction and rehabilitation of schools;

(c) evaluate local building materials and construction designs for their suitability to local conditions and to community contribution;

(d) establish norms and standards for construction, rehabilitation and maintenance of schools;

(e) implement the annual school construction and rehabilitation program; and

(f) monitor and evaluate all school rehabilitation activities.

7. Before MOE undertakes any construction or rehabilitation work for any school, MOE shall enter into an agreement with the relevant CEA providing, inter alia, for the participation of, and the specific contribution to be made by, the community in the construction/rehabilitation of the school.

Examinations

8. In order to improve the quality and effectiveness of examinations under Part D.7 of the Project, the Borrower shall transform the Schools Examination Board into a National Examination Board (NEB) with staffing and organizational structure acceptable to the Association. MOE will provide NEB with its own budget. NEB shall:

- (a) formulate policies relating to examinations;
- (b) select members of the examination panel; and
- (c) evaluate standards and procedures for examinations.

Joint Annual Review of the Program

9. (a) MOE and the Association shall jointly review progress in the implementation of the Program and the Project not later than November 30 of each year. MOE shall thereafter implement the recommendations of such reviews for the proper implementation of the Program and the Project.

(b) For the purpose of the review, the Borrower shall, not later than November 30 of each fiscal year submit to the Association: (i) the education budget proposal for the following fiscal year; (ii) a statement of actual expenditures on the education sector for the partially completed current fiscal year; and (iii) a statement of actual expenditures on the education sector for the previous fiscal year.

(c) In order to assist MOE to carry out the annual review referred to in paragraph (a) above, the Borrower shall, not later than September 30, 1990: (i) establish a monitoring and evaluation unit within the office of the Minister of MOE (to be headed by an advisor to the Minister of MOE) with terms of reference acceptable to the Association; and (ii) appoint two short-term consultants with qualifications and experience acceptable to the Association.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (8), inclusive, 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 \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule, provided that no payment in excess of \$20,000 shall be made out of the Special Account for any item without the consent of the Association.

3. Subject to paragraph 2 of this Schedule, 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 a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

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

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

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the 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; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment 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 paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

