

INTERIM FUND CREDIT NUMBER N038 BD

Interim Fund
Development Credit Agreement

(Primary Education Development Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION as Administrator of the interim trust fund established with funds contributed by certain members of International Development Association pursuant to Resolution No. IDA 184 of the Board of Governors of International Development Association

Dated April 30, 1998

INTERIM FUND CREDIT NUMBER N038 BD

INTERIM FUND DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 30, 1998, between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) as administrator (the Administrator) of the interim trust fund (Interim Fund) established with funds contributed by certain members of the Association pursuant to Resolution No. IDA 184 (the Interim Fund Resolution) of the Board of Governors of the Association, adopted on June 26, 1996.

WHEREAS (A) by the Interim Fund Resolution the Interim Fund has been established, constituted of the funds contributed by certain members of the Association and administered by the Association acting as Administrator of the Interim Fund, in accordance with the provisions of the Interim Fund Resolution;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Administrator to assist in the financing of the Project through the provision of resources from the Interim Fund, and the Administrator has determined that such assistance would be in accordance with the provisions of the Interim Fund Resolution;

(C) the Borrower intends to obtain from the Government of the Kingdom of Norway (Norway), acting through the Norwegian Agency for Development Cooperation (NORAD) a grant (NORAD Grant) to assist in financing part of the PEDP on the terms and conditions set forth in an agreement (the NORAD Grant Agreement) to be entered into between the Borrower and Norway;

(D) the Borrower intends to obtain from the United Kingdom of Great Britain and Northern Ireland (United Kingdom), acting through the Department for International

Development (DFID) a grant (the DFID Grant) to assist in financing part of the PEDP on the terms and conditions set forth in an agreement (the DFID Grant Agreement) to be entered into between the Borrower and the United Kingdom;

(E) the Borrower has obtained from the Government of the Federal Republic of Germany (Germany), acting through the Deutsche Gesellschaft fur Technische Zusammenarbeit (GTZ) and the Kreditanstalt fur Wiederaufbau (KfW), grants (the GTZ Grant and the KfW Grant, respectively) in the respective amounts of DM 43,000,000 and DM 5,000,000, to assist in financing part of the PEDP on the terms and conditions set forth in the GTZ Grant Agreement dated September 30, 1996 and the KfW Financing Agreement dated May 23, 1996, respectively, entered into between the Borrower and Germany;

(F) the Borrower has obtained from the United Nations Children's Fund (UNICEF) a grant (the UNICEF Grant) in an amount equivalent to \$10,000,000 to assist in financing part of the PEDP on the terms and conditions set forth in an agreement (the UNICEF Grant Agreement) dated March 18, 1996 entered into between the Borrower and UNICEF;

(G) the Borrower has obtained from the Asian Development Bank (the ADB) a loan (the ADB Loan) from the ADB's Special Funds Resources in various currencies equivalent to \$100,000,000 to assist in financing part of the PEDP on the terms and conditions set forth in an agreement (the ADB Loan Agreement) dated July 25, 1997 entered into between the Borrower and ADB; (H) the Borrower has obtained from the Islamic Development Bank (the IsDB) a loan (the IsDB Loan) in an amount equivalent to \$10,300,000 to assist in financing part of the PEDP on the terms and conditions set forth in an agreement (the IsDB Loan Agreement) dated November 27, 1996 entered into between the Borrower and IsDB; and

WHEREAS the Administrator has agreed, on the basis, inter alia, of the foregoing, to extend the Interim Fund 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, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The term "Association", wherever used in the General Conditions means the International Development Association acting as Administrator of the Interim Fund referred to in the Preamble to the Interim Fund Development Credit Agreement;

(b) The terms "Development Credit Agreement", "Credit" and "Credit Account", wherever used in the General Conditions, are amended to read "Interim Fund Development Credit Agreement", "Interim Fund Credit" and "Interim Fund Credit Account", respectively;

(c) A new paragraph, numbered 15, is added to Section 2.01 to read as follows:

"15. "Participating Country" means any country that meets the requirements set forth in Section 5(e) of Resolution No. IDA 184 of the Board of Governors of the Association, adopted on June 26, 1996, as determined by the Administrator as of the date on which the Interim Fund Credit was approved pursuant to Section 5(c) of said Resolution; and "Participating Countries" means, collectively, all such countries;

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

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

"Except as the Administrator and the Borrower 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 Administrator, is prohibited by a decision of the

United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(f) In Sections 6.02 and 7.01 of the General Conditions, the term "Association" shall also mean the International Development Association acting in its own capacity.

(g) Section 6.03 is modified to read as follows:

"Section 6.03. Cancellation by the Administrator. If (a) the right of the Borrower to make withdrawals from the Interim Fund Credit Account shall have been suspended with respect to any amount of the Interim Fund Credit for a continuous period of thirty days, or (b) at any time, the Administrator determines, after consultation with the Borrower, that an amount of the Interim Fund Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Interim Fund Credit, or (c) at any time the Administrator determines, with respect to any contract to be financed out of the proceeds of the Interim Fund Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Interim Fund Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Administrator to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Interim Fund Credit, or (d) at any time, the Administrator determines that the procurement of any contract to be financed out of the proceeds of the Interim Fund Credit is inconsistent with the procedures set forth or referred to in the Interim Fund Development Credit Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Interim Fund Credit, or (e) after the Closing Date, an amount of the Interim Fund Credit shall remain unwithdrawn from the Interim Fund Credit Account, the Administrator may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Interim Fund Credit shall be canceled."

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) "DPE" means the Directorate of Primary Education of the Borrower;
- (b) "DPE Special Account" means the separate special deposit account for DPE referred to in Section 2.02(b) of this Agreement;
- (c) "FD" means the Facilities Department of the Ministry of Education of the Borrower;
- (d) "FY" means the fiscal year of the Borrower for the period beginning July 1 and ending June 30 each year;
- (e) "IDEAL" means the Intensive District approach for Education for All program being carried out by the Borrower;
- (f) "LGED" means the Local Government and Engineering Department of the Borrower;
- (g) "LGED Special Account" means the separate special deposit account for LGED referred to in Section 2.02(b) of this Agreement;
- (h) "NAPE" means the National Academy of Primary Education of the Borrower;
- (i) "NCTB" means the National Curriculum Textbook Board of the Borrower;
- (j) "PEDP" means the Primary Education Development Program of the Borrower;
- (k) "PTI" means a Primary Teaching Institute of the Borrower; and
- (l) "Special Accounts" mean the accounts referred to in Section 2.02(b) of this Agreement; and "Special Account" means each such account individually.

ARTICLE II

The Interim Fund Credit

Section 2.01. The Administrator agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Interim Fund Development Credit Agreement, an amount in various currencies equivalent to one hundred and eleven million Special Drawing Rights (SDR 111,000,000).

Section 2.02. (a) The amount of the Interim Fund Credit may be withdrawn from the Interim Fund Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Administrator 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 Interim Fund Credit.

(b) The Borrower may open and maintain in dollars two separate special deposit accounts in the Bangladesh Bank, one for the purposes of Part C.1 of the Project which will be carried out by LGED (the LGED Special Account), and the other for the purposes of all other Parts of the Project (including those Parts of the Project to be carried out by the FD and NCTB) which will be carried out by DPE (the DPE Special Account), all on terms and conditions satisfactory to the Administrator. Deposits into, and payments out of, each Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2003, or such later date as the Administrator shall establish. The Administrator 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 Interim Fund 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 Interim Fund 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 Interim Fund Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semi-annually on March 1 and September 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Interim Fund Credit in semi-annual installments payable on each March 1 and September 1 commencing September 1, 2008 and ending March 1, 2038. Each installment to and including the installment payable on March 1, 2018 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Administrator may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by the Administrator 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 Interim Fund Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Interim Fund Credit as of the first semi-annual payment date referred to in paragraph (a) above falling six months or more after the date on which the Administrator 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 Administrator 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 Administrator on the principal amount of the Interim Fund Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Administrator, 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 Administrator 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 educational 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 Administrator 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 Administrator 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 Interim Fund Credit shall be governed by the provisions of Schedule 3 to this Agreement.

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

(a) prepare, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator 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 Administrator, a plan for the future operation of the Project; and

(b) afford the Administrator a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts and prepare financial statements in a format acceptable to the Administrator adequate to reflect the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for, and in connection with, the carrying out of the Project or any part thereof.

(b) The Borrower shall:

(i) have the records, accounts and financial statements 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 consistently applied, by independent auditors acceptable to the Administrator;

- (ii) furnish to the Administrator, as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such financial statements, records and accounts and a report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and
- (iii) furnish to the Administrator such other information concerning said records and accounts and the audit thereof as the Administrator shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Interim Fund 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 separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Administrator has received the audit report for the fiscal year in which the last withdrawal from the Interim Fund Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Administrator'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 and the Administrator

Section 5.01. (a) (i) Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that subject to paragraph (ii) of this Section: (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 agreed maturity thereof.

(ii) Paragraph (i) of this Section shall not apply if the Borrower establishes to the satisfaction of the Administrator 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.

(b) The NORAD Grant Agreement and the DFID Grant Agreement, or any of them shall have failed to become effective by December 31, 1999, or such later date as the Administrator may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Administrator 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.

Section 5.02. Pursuant to Section 7.01(d) of the General Conditions, the following additional events are specified: any event specified in paragraph (a) (i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (a) (ii) of that Section, or any event specified in (b) shall occur.

ARTICLE VI

Effective Date; Termination
Designation of Administrator

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Interim Fund Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions namely that the staffing of the Finance Unit at DPE has been completed in a manner satisfactory to the Administrator.

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.

Section 6.03. In the event that the Executive Directors of the Association decide to terminate the functions of the Association as administrator of the Interim Fund pursuant to Section 7 of the Interim Fund Resolution, all of the rights and obligations of the Administrator under this Agreement shall be assumed by the Association in accordance with the Interim Fund Resolution and such decision of said Executive Directors, as of a date to be notified by the Administrator to the Borrower.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Secretary or the Additional Secretary, or any Joint Secretary/Joint Chief, or any Deputy Secretary/Deputy Chief, or any Assistant Secretary/ Assistant Chief/Research Officer 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 People's Republic of Bangladesh
Dhaka, Bangladesh

Cable address:

BAHIRSAMPAD
Dhaka

Telex:

642226 SETU BJ
672796 SETU BJ

For the Association and the Administrator:

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.

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ K. M. Shehabuddin

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator of the interim trust fund established
with funds contributed by certain members of
International Development Association pursuant to
Resolution No. IDA 184 of the Board of Governors of
International Development Association

By /s/ Mieko Nishimizu

Regional Vice President
South Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Interim Fund Credit

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

Category	Amount of the Interim Fund Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	39,870,000	90%
(2) Paper for textbooks, textbooks, office equipment, educational expenditures materials and vehicles and (including motorcycles) expendi- for other items procured locally	44,030,000	100% of foreign expenditures, 100% of local (ex-factory cost) 85% of local tures
(3) Services:		
(a) Consultants' services (including professional fees and management fees) and training	10,370,000	100%
(b) IDEAL program (UNICEF Contract)	7,400,000	100%
(4) Incremental operating costs and	3,780,000	100% for FY 1999 70% for FY 2000 and 2001 30% for FY 2002 2003
(5) Unallocated	5,550,000	
TOTAL	111,000,000	

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

(c) the term "incremental operating costs" means the cost of additional expenditures for operation and maintenance of: (i) the Project implementation management unit; and (ii) schools under the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures: (a) under Category (3)(b) unless and until the Borrower has entered into a separate contract with UNICEF in respect of expenditures for social participation and local planning towards the implementation of the IDEAL program; and (b) prior to the date of this Agreement, except that withdrawals in an aggregate amount not to exceed the equivalent of SDR 2,220,000 may be made out of the proceeds of the Credit in respect of Categories 1 through 3 on account of payments made for expenditures before that date but after March 1, 1998.

4. The Administrator may require withdrawals from the Interim Fund Credit Account to be made on the basis of statements of expenditure for: (i) goods and works under contracts not exceeding \$200,000 equivalent; (ii) services of consulting firms under contracts not exceeding \$100,000 equivalent; (iii) services of individual consultants under contracts not exceeding \$50,000 equivalent; and (iv) all training and incremental and operating costs.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in carrying out the Primary Education Development Program (PEDP) in order to: (i) improve school quality and system efficiency; (ii) establish a sustainable, cost-effective and better managed education system; and (iii) ensure universal coverage and equitable access to quality primary schooling.

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

Part A: Improving School Quality and System Efficiency

1. Teacher Development, School Supervision and Subcluster Training: Carrying out of a program of teacher training, revision of teacher education curriculum and materials and upgrading of the facilities at NAPE and PTIs.

2. Improving Teaching and Learning: (a) Carrying out of a bi-annual national assessment of learning achievement, including monitoring of school attendance and school completion, for the purposes of information for revisions to curriculum, textbooks and teacher training.

(b) Supplying of student textbooks, teachers' guides and supplementary reading materials to schools.

3. Strengthening National Institutions: Provision of training for staff of NAPE and PTIs to improve design and delivery of teacher training programs; restructuring of NCTB and staffing rationalization to better reflect its publishing role; and training of NCTB staff in management and procurement to improve textbook procurement and distribution services.

Part B: Strengthening Institutional Capacity and Management

1. Strengthening Institutional Capacity at the National Level: (a) Strengthening DPE's system of review and monitoring and its capacity to: (i) prepare annual operational and expenditure plans for the primary education program and for each subproject; (ii) monitor and report on progress towards policy objectives; and (iii) account for expenditures in the subsector;

(b) training of staff at DPE in planning and budgeting, management skills and school monitoring; the establishment of a finance unit at DPE and the training of staff in financial management and reporting; and preparation, as necessary, of studies for future projects; and

(c) strengthening of the implementing agencies and department's accounting and auditing abilities through the provision of staff training and the introduction of adequate accounting and auditing systems under the Project.

2. Strengthening Institutional Capacity at the District, Thana and School Level: Training of staff at the district, thana and school levels in school management, academic supervision and methods of community participation; preparation of school maps and district school construction plans based on needs-based criteria agreed with the Administrator; and carrying out of a pilot program to channel money to thanas and schools for financing school maintenance, additional books and learning materials in selected schools in the poorest thanas.

Part C: Increasing Equitable Access

1. Construction of new schools, additional classrooms, toilets and tubewells based on needs-based criteria and assessment of thanas development plans.

2. Carrying out of a pilot program of provision of block grants to thanas for free stationery to students in 25% of the poorest school communities.

3. Carrying out of social mobilization campaigns to increase school enrollment and daily attendance, and training of school and thana education committees in school management and monitoring and community participation.

* * *

The Project is expected to be completed by June 30, 2003.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

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

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) 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.

(b) Notification and Advertising

The invitation to bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost more than \$30,000 but less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$21,400,000 equivalent, and civil works estimated to cost more than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$18,920,000 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

Goods estimated to cost \$30,000 equivalent or less per contract, up to an

aggregate amount not to exceed \$25,600,000 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. Force Account

Works which meet the requirements of paragraph 3.8 of the Guidelines, and costing \$4,700,000 equivalent or less in the aggregate, may, with the Administrator's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

4. Community Participation

Works required for Part C of the Project up to an aggregate of 10% of the total works may be carried out through community participation in accordance with procedures acceptable to the Administrator.

5. Procurement of Small Works

Works estimated to cost equal or less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$28,380,000 equivalent, may be procured under lump-sum, fixed price contract awarded on the basis of quotation obtained from three (3) 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 Administrator, 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.

Part D: Review by the Administrator of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Administrator 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 Administrator, and with the provisions of said paragraph 1.

2. Prior Review

With respect to the first three contracts for goods and the first three contracts for works procured under national competitive bidding procedures and thereafter each contract for goods or works estimated to cost the equivalent of \$200,000 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

Subject to the eligibility restrictions set forth in Section III of this Schedule, 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 September 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

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

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services for social mobilization and local planning and supervision of civil works, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-Cost Selection

Consultants' services estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Quality-Based Selection

With the prior agreement of the Administrator, Consultants' services shall be procured under contracts awarded in accordance with the provisions of Section 2 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-based selection of consultants.

3. Single-Source Selection

Services for social mobilization and local planning under the IDEAL program estimated to cost up to an aggregate amount not to exceed \$10,000,000 equivalent, may, with the Administrator's prior agreement, be procured from UNICEF in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 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 Administrator 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 Administrator 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 Administrator, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract 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)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract 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 more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Administrator 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 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

Section III. Eligibility Restrictions

1. Notwithstanding the provisions of paragraph 1.6 of the Guidelines, the proceeds of the Interim Fund Credit may only be withdrawn on account of expenditures for goods and works provided by nationals of, and produced in or supplied from, Participating Countries; consequently, nationals of countries that are not Participating Countries and bidders offering goods and works from such countries shall be disqualified from bidding for such contracts, and the bidding documents shall so specify.

2. Notwithstanding the provisions of paragraph 1.10 of the Consultant Guidelines, only firms that are registered or incorporated in, and individuals and personal who are nationals of, Participating Countries shall be eligible to compete for services financed out of the proceeds of the Interim Fund Credit.

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 Administrator, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator, on or about April 10, 2001 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 Administrator, by May 15, 2001, or such later date as the Administrator 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 Administrator's views on the matter.

2. The Borrower shall, not later than May 31 in each year, review the progress made in implementation of the Project in accordance with a policy framework agreed with the Administrator and shall ensure that all financiers of the PEDP are invited to review meetings.

3. Notwithstanding the provisions of paragraph 1 of this Schedule, the Borrower shall, under terms of reference acceptable to the Administrator, retain no later than December 31, 1998, an independent external monitoring team for the purposes of third party supervision of the implementation of the Project.

4. The Borrower shall undertake the construction of the schools under the Project in accordance with criteria, procedures and mechanism acceptable to the Administrator.

5. The Borrower shall undertake such teacher training programs under the Project as shall have been approved by the Administrator.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Category (1) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Part C.1 of the Project and Categories (2), (3) and (4) set forth in said table in respect of all other Parts of the Project;

(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 Interim Fund 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 \$6,000,000

in respect of the LGED Special Account and an amount equivalent to \$4,000,000 in respect of the DPE Special Account, to be withdrawn from the Interim Fund Credit Account and deposited into the Special Accounts pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Administrator shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$3,000,000 in respect of the LGED Special Account and an amount equivalent to \$2,000,000 in respect of the DPE Special Account until (i) in respect of the LGED Special Account, the aggregate amount of withdrawals from the Interim Fund Credit Account allocated to Category (1) plus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions for Part C.1 of the Project shall be equal to or exceed the equivalent of SDR 16,000,000, and (ii) in respect of the DPE Special Account, the aggregate amount of withdrawals from the Interim Fund Credit Account allocated to Categories (2), (3) and (4) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for all Parts of the Project other than Part C shall be equal to or exceed the equivalent of SDR 20,000,000.

2. Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

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

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

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Administrator 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 Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund Credit Account and deposit into the respective 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 respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Administrator from the Interim Fund Credit Account under the respective eligible Category or 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 respective Special Account, the Borrower shall, at such time as the Administrator shall reasonably request, furnish to the Administrator 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 Administrator shall not be required to make further deposits into any Special Account:

(a) if, at any time, the Administrator shall have determined that all further withdrawals should be made by the Borrower directly from the Interim Fund 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 Administrator, 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 Administrator pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Administrator 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 Interim Fund Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Interim Fund Credit allocated to the eligible Category or Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions with respect to the relevant Parts of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Interim Fund Credit Account of the remaining unwithdrawn amount of the Interim Fund Credit allocated to the eligible Category or Categories shall follow such procedures as the Administrator shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Administrator shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Administrator shall have determined at any time that any payment out of any 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 Administrator, the Borrower shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the respective Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator into any 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 Administrator shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Administrator, refund to the Administrator such outstanding amount.

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

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

