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**CREDIT NUMBER 3820-BHU**

# **Development Credit Agreement**

**(Education Development Project)**

**between**

**KINGDOM OF BHUTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated September 4, 2003**

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**CREDIT NUMBER 3820-BHU**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated September 4, 2003, between KINGDOM OF BHUTAN (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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;

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), constitute an integral part of this Agreement.

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) "Beneficiary" means a school that receives an innovation grant for quality enhancement under Part B.2 of the Project;

(b) "Environmental Management Plan" or "EMP" means the Borrower's plan dated April 15, 2003, satisfactory to the Association, setting forth, *inter alia*, measures for mitigating the potential environmental impact of the Project, as the same may be updated from time to time with the agreement of the Association;

(c) "Financial Monitoring Report" or "FMR" means each report prepared in accordance with Section 4.02 of this Agreement;

(d) "Innovation Grants" means the innovation grants provided for under Part B.2 of the Project;

- (e) “LGSF” means light gauge steel frame;
- (f) “MoE” means the Borrower’s Ministry of Education or any successor entity thereto;
- (g) “MoLHR” means the Borrower’s Ministry of Labor and Human Resources or any successor thereto;
- (h) “Ninth Five-Year Plan” means the Borrower’s Ninth Five-Year Plan (2002-2007) for socio-economic development;
- (i) “Peoples Consultation Plan” means the Borrower’s plan dated May 30, 2003, satisfactory to the Association, ensuring that local communities benefit from the Project, as the same may be updated from time to time with the agreement of the Association;
- (j) “Project Implementation Plan” means the Borrower’s Project Implementation Plan, satisfactory and acceptable to the Association, including any amendments made to such plan, from time to time, with the Association’s approval, that sets forth various procedures and information necessary for carrying out the Project; performance indicators and monitoring and evaluation guidelines; administrative, accounting and financial procedures; procurement and disbursement guidelines; and environmental matters;
- (k) “SPBD” means the School Planning and Building Division within MoE.
- (l) “Special Account A” means the account referred to in Section 2.02(b)(i) of this Agreement;
- (m) “Special Account B” means the account referred to in Section 2.02(b)(ii) of this Agreement; and
- (n) “Special Accounts” means the accounts referred to in Section 2.02(b) of this Agreement, being Special Account A and Special Account B collectively.

## **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 twenty-two million Special Drawing Rights (SDR 22,000,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars separate special deposit accounts in the Royal Monetary Authority on terms and conditions satisfactory to the Association as follows: (i) a special deposit account (Special Account A) for the purposes of all Parts of the Project other than Parts B.1(c) and B.2; and (ii) a special deposit account (Special Account B) for the purposes of Parts B.1(c) and B.2 of the Project. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2009, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 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 March 15 and September 15 commencing September 15, 2013, and ending March 15, 2043. Each installment to and including the installment payable on March 15, 2023, 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 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 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. 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, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with

auditing standards acceptable to the Association, 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 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 statements, records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Association may 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 separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit 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.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 7 of Schedule 4. The Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Effective Date; Termination**

Section 5.01. 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 VI**

### **Representative of the Borrower; Addresses**

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:



For the Borrower:

Ministry of Finance  
Tashichhodzong  
Thimphu, Kingdom of Bhutan

Cable address:	Telex:	Facsimile:
Ministry of Finance Thimphu, Bhutan	890-201	323154

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

KINGDOM OF BHUTAN

By /s/ Yeshey Dorji

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Marilou Uy

Acting Regional Vice President  
South Asia

**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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works		97%
(a) For Part B.1(c) of the Project	100,000	
(b) For other parts of the Project	9,900,000	
(2) Goods		100% of foreign expenditures, 100% of local expenditures (ex factory cost) and 95% of local expenditures for other items procured locally
(a) For Part B.1(c) of the Project	120,000	
(b) For other parts of the Project	6,980,000	
(3) Consultants' services	720,000	97%
(4) Training	1,780,000	100%
(5) Innovation Grants under Part B.2 of the Project	150,000	100%

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(6) Unallocated	2,250,000	
TOTAL	<u>22,000,000</u> =====	

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; and

(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.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) expenditures under Category (5), unless and until guidelines for the processing, approval and implementation of Innovation Grants satisfactory to the Association have been developed and adopted by the Borrower.

4. It is understood that the percentages of expenditures to be financed under the table set forth in paragraph 1 of this Schedule have been calculated on the basis of the provisions of the Rules on the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan 2000, which provide for an exemption of taxes and customs duties levied in the territory of the Borrower on goods for this Project. If any change is made to said rules which has the effect of levying taxes or customs duties on such goods, the percentages referred to above shall be decreased in accordance with the provisions of Section 5.08 of the General Conditions.

5. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) works under contracts costing less than \$700,000 equivalent each; (ii) goods under contracts costing less than \$125,000 equivalent each; (iii) service of consulting firms under contracts costing less than \$100,000 equivalent each; (iv) service of individual consultants under contract costing less than \$50,000 equivalent; (v) training; and (vi) Innovation Grants, each under such terms and conditions as the Association shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objectives of the Project are: (a) to assist in the implementation of the education development program in the Ninth Five-Year Plan; and (b) to that end, to expand access to primary and secondary education and to improve the quality and relevance of education at all levels.

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: Expanding Access to Primary and Secondary Education**

1. Construction of 4 new secondary schools, and upgrading/extension of about 25 existing primary and secondary schools using LGSF construction technology.
2. Construction of a warehouse for storage of LGSF construction materials.
3. Provision of institution-based and on-site training in LGSF technology to school leavers, SPBD and local contractor staff.

#### **Part B: Improving Quality and Relevance of Education at all Levels**

1. Enhancement of effectiveness of teaching and learning processes through: (a) the revision of the mathematics curriculum; (b) the expansion of the school library development and supplementary reading programs to about 300 primary and secondary schools; and (c) the establishment of about 15 additional resource centers to support clusters of nearby schools, particularly in remote areas.
2. Financing of innovation grants to assist selected primary and secondary schools in carrying out quality enhancement schemes.
3. Expansion of the existing information technology (IT) education program for middle and higher secondary schools through: (a) the implementation of a newly developed IT curriculum; and (b) the development of a small cadre of IT specialists to spearhead wider application of IT education.
4. Establishment of a secretariat for the Royal University of Bhutan to facilitate academic programming and quality control within the federated system of colleges through: (a) the construction of offices for secretariat officials; and (b) the provision of technical assistance for the preparation of strategic development and funding plans.

Part C: Institutional Strengthening

1. Carrying out of a human resource development program through the provision of: (a) fellowships to MoE staff for further studies in their various professional fields; (b) training to Dzongkhag Education Officers in leadership and management; and (c) scholarships to selected teachers for graduate studies in English and Mathematics.
2. Construction and equipping of: (a) a complex to accommodate all MoE staff in one location; and (b) education stores at the center and selected regional locations.
3. Strengthening of monitoring and evaluation systems through: (a) the institutionalization of improved tools for measuring learning achievement; (b) the development of new instruments to assess the relevance of education/training curricula to labor needs; and (c) the carrying out of studies to assess the impact of ongoing and new Project-supported quality enhancement interventions on learning outcomes.

\* \* \*

The Project is expected to be completed by June 30, 2009.

### **SCHEDULE 3**

#### **Procurement and Consultants' Services**

Section I.      Procurement of Goods and Works

Part A:        General

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, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

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.

(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.

Part C:        Other Procurement Procedures

1.      National Competitive Bidding

(a)      (i) All works; and (ii) furniture, office equipment, stationary, textbooks, learning and other reference materials and construction materials estimated to cost less than \$125,000 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)      In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section 1 of the Guidelines:

(i)      invitations to bid shall be advertised in at least one widely circulated national newspaper, at least 30 days prior to the deadline for the submission of bids;

(ii)     bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

- (iii) 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;
- (iv) bids shall be opened in public in one place, immediately after the deadline for submission of bids;
- (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 declared as the lowest evaluated bidder shall be given a reasonable opportunity of registering, without let or hindrance;
- (vii) contracts shall be awarded to the lowest evaluated bidders;
- (viii) post-bidding negotiations shall not be allowed with the lowest evaluated bidders or any other bidders;
- (ix) bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;
- (x) contracts shall not be awarded on the basis of nationally negotiated rates;
- (xi) re-bidding shall not be carried out without the prior concurrence of the Association;
- (xii) all bidders/contractors shall provide bid/performance security as indicated in the bidding/contract documents;
- (xiii) a bidder's bid security shall apply only to a specific bid, and a contractor's performance security shall apply only to the specific contract under which it was furnished;
- (xiv) 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, the parties involved shall be disqualified and the award shall then 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.
- (xv) extension of bid validity shall not be allowed without the prior concurrence of the Association (i) for the first request for extension if it is longer than eight weeks, and (ii) for all subsequent requests for extension irrespective of the period;
  - (xvi) bids shall not be invited on the basis of percentage premium or discount over the estimated cost; and
  - (xvii) there shall not be any restrictions on the means of delivery of the bids.

2. National Shopping

Furniture, office equipment, stationary, textbooks, learning and other reference materials and construction materials estimated to cost less than \$10,000 equivalent per contract, 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. Direct Contracting

Goods financed under Innovation Grants, and costing \$8,000 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. Such plan shall be updated every 12 months during the execution of the Project, and each such updating shall be furnished to the Association for its review and approval. Procurement of all goods and works shall be undertaken in accordance with such procurement plan (as updated from time to time) as shall have been approved by the Association, and with the provisions of said paragraph 1.



2. Prior Review

With respect to: (i) each contract for works estimated to cost \$700,000 equivalent or more; (ii) each of the first two contracts for works estimated to cost less than \$700,000 equivalent each; (iii) each contract for furniture estimated to cost \$125,000 equivalent or more; (iv) each of the first two contracts for furniture estimated to cost less than \$125,000 equivalent each; (v) each contract for computers, books and construction materials estimated to cost \$125,000 equivalent or more, and (vi) each of the first two contracts for office equipment, stationary, reference materials and construction materials estimated to cost less than \$125,000 equivalent each, 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

Consultants' services shall be procured in accordance with the provisions of Sections I and 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, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

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, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision 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 the carrying out of the studies required under Part C.3(b) of the Project, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for the provision of a local area network (LAN) under Part C.2(a) of the Project, estimated to cost less than \$100,000 equivalent per contract may, with the Association's prior agreement, be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Least Cost Selection

Services for the preparation of architectural drawings and documents for the purposes of Parts A.2, B.4 and C.2(a) of the Project, which are estimated to cost less than \$100,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.6 of the Consultant Guidelines.

3. Individual Consultants

Services for 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 5.4 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every 12 months during the execution of the Project, and each such updating shall be furnished to the Association for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Association.

2. Prior Review

(a) With respect to: (i) the first two contracts for employment of consulting firms/institutions irrespective of value; and (ii) each subsequent such contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to: (i) the first two contracts for the employment of individual consultants irrespective of the value; and (ii) each subsequent such contract 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 contracts shall be awarded only after said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

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, for purposes of the Project, maintain the Project Implementation Plan in form and substance satisfactory to the Association, and shall carry out the Project in accordance with said Plan. Except as the Association shall otherwise agree, the Borrower shall not amend or waive any provision of the Project Implementation Plan if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.
2. The Borrower shall ensure that a financial management specialist and a procurement specialist, both suitably qualified and experienced and acceptable to the Association, will be assigned to the Project throughout its execution.
3. The Borrower shall ensure that its MoLHR and MoE will collaborate on carrying out the tracer study and employer/establishment surveys required for the purposes of Part C.3(b) of the Project, under arrangements satisfactory to the Association set out in a memorandum of understanding to be entered into between MoLHR and MoE not later than October 31, 2003.
4. The Borrower shall implement, in a manner satisfactory to the Association, the environmental mitigation, monitoring and other measures set forth in the Environmental Management Plan in accordance with the objectives, policies, procedures, time schedule and other provisions set forth therein, and shall not take or permit to be taken any action which would prevent or interfere with such implementation.
5. The Borrower shall ensure that, throughout the execution of the Project, local communities benefiting under the Project will continue to be duly consulted in accordance with the Peoples Consultation Plan.
6. The Borrower shall ensure that Innovation Grants shall be made to the Beneficiaries in accordance with the Project Implementation Plan, under guidelines acceptable to the Association.
7. 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 September 30, 2006, 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 October 31, 2006, 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.

## **SCHEDULE 5**

### **Special Accounts**

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means: (i) with respect to Special Account A, Categories (1)(b), (2)(b), (3) and (4); and (ii) with respect to Special Account B, Categories (1)(a), (2)(a) and (5), all 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 and Innovation Grants provided 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: (i) with respect to Special Account A, an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$500,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,700,000; and (ii) with respect to Special Account B, an amount equivalent to \$25,000 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 respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

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

(a) For withdrawals of the respective Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the respective Special Account of an amount or amounts that do not exceed the aggregate amount of the respective 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 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 Association requests for deposits into the respective 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 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 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 respective 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 respective Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to that provision in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the respective eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the respective Parts of the Project, shall equal the equivalent of twice the amount of the respective Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the such 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 respective Special Account as of the date of such notice will be utilized in making payments for the respective eligible expenditures.

6. (a) If the Association 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 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 respective 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 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 Association shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for the respective 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 Accounts.

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