

CREDIT NUMBER 2137 TA

Development Credit Agreement

(Education Planning and Rehabilitation Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 18, 1990

CREDIT NUMBER 2137 TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 18, 1990, between UNITED REPUBLIC OF TANZANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower has obtained from the Kingdom of Sweden through the Swedish International Development Agency (SIDA) a grant (SIDA Grant), in an amount approximately equivalent to twelve million dollars (\$12,000,000), to assist in financing part of the Project;

(C) the Borrower has requested from the Kingdom of Norway through the Norwegian Agency for International Development (NORAD) a grant (NORAD Grant), in an amount approximately equivalent to four million nine hundred thousand dollars (\$4,900,000), to assist in financing part of the Project; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) 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) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

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

(c) "MLG" means the Borrower's Ministry of Local Government, Community Development, Cooperatives and Marketing;

(d) "ICD" means the Institute of Curriculum Development within MOE;

(e) "PCT/MOE" means the Project Coordinating Team established under the Project within MOE;

(f) "PCT/MLG" means the Project Coordinating Team established under the Project within MX;

(g) "NETF" means the National Education Trust Fund to be established by the Borrower under the Borrower's Trustee Incorporation Ordinance, Chapter 375 of the Borrower's Laws;

(h) "DETF" means a District Education Trust Fund associated with the NETF;

(i) "DEO" means a District Education Officer within MOE;

(j) "REO" means a Regional Education Officer within MOE;

(k) "SMART" means a School Maintenance and Rehabilitation Team to be established under the Project to undertake the maintenance of primary schools;

(l) "School Year" means a year beginning January 1 and ending on December 31; and

(m) "Fiscal Year" means the Borrower's fiscal year which runs from July 1 to June 30.

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 this Agreement, an amount in various currencies equivalent to twenty-nine million Special Drawing Rights (SDR 29,000,000).

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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars two special accounts in its Central Bank (the MOE Special Account and the MLG Special Account) on terms and conditions satisfactory to the Association. 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, 1996, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 1 and August 1, commencing August 1, 2000, and ending February 1, 2030. Each installment to and including the installment payable on February 1, 2010, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider

the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United Kingdom of Great Britain and Northern Ireland 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 Parts A and B of the Project through MOE, and C.1 and C.2 of the Project through MLG, with due diligence and efficiency and in conformity with appropriate educational, financial and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon any of its other obligations under this Agreement, the Borrower shall cause NETF to carry out Part C.3 of the Project, with due diligence and efficiency and in accordance with appropriate educational, financial and administrative practices, and shall provide promptly as needed the funds, facilities, services and other resources required for Part C.3 of the Project.

(c) The Borrower shall by March 30 in each year agree with the Association on adequate budgetary provision for the Project and ensure that such funds are allocated in a timely manner.

(d) 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. The Borrower shall: (a) by March 31, 1991, prepare and discuss with the Association, a schedule for the improvement of science teaching in its secondary schools; (b) by the beginning of the 1992 School Year, introduce a unified science syllabus for the first two years of secondary education, on a pilot basis, in selected schools; (c) thereafter evaluate the implementation of the pilot scheme; and (d) by the 1994 School Year, incorporate the results of such evaluation into an improved science syllabus, which shall include the continuation of the separate science curriculum in selected schools . in accordance with a plan of action agreed with the Association.

Section 3.04. The Borrower shall, by January 1, 1993, adopt improved timetables , for primary and secondary schools acceptable to the Association, which shall integrate related subject areas and optimize teaching in the general academic subjects supported by the new textbook series.

Section 3.05. The Borrower shall: (a) continue to implement measures to reduce the gap between fees paid in Government secondary schools and community secondary schools; and (b) commencing in the 1991 Fiscal Year, ensure that at least half of increase in revenues resulting therefrom, shall be retained by the Government secondary schools concerned to be used for school maintenance and/or needs based scholarships.

Section 3.06. The Borrower shall ensure that: (a) all personnel of district-level SMARTs trained under the Project, are required to render a minimum of two years service to their respective districts; and (b) recipients of fellowships under the Project, are required to render at least two years service to the Borrower, in the positions for which they were trained.

Section 3.07. The Borrower shall, by June 30, 1991, furnish to the Association for its review, its proposals for the revision of teacher salaries.

Section 3.08. The Borrower shall, by December 31, 1991, furnish to the Association for its review and comments, a plan of action for establishing an appropriate financing mechanism, which shall ensure the provision of textbooks to primary school students after completion of the Project.

Section 3.09. The Borrower shall, by June 30, 1991, establish NETF and appoint its Board, Secretariat and Technical Unit.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section

including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

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

(a) The NORAD Grant Agreement shall have failed to become effective by December 31, 1990, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the

Borrower under this Agreement.

- (b) (i) Subject to subparagraph (ii) of this paragraph the right of the Borrower to withdraw the proceeds of the SIDA or the NORAD Grants made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified namely that the event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (d) (ii) of that Section.

ARTICLE VI

Termination

Section 6.01. 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 VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministry of Finance
P.O. Box 9111
Dar es Salaam
United Republic of Tanzania

Cable address: Telex:

TREASURY 41329
Dar es Salaam

For the Association:

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

Cable address: Telex:

		of local ex- penditures for other items pro- cured locally
(d) Curriculum/ textbook development, training consultants' services and fellowships	6,810,000	100%
(e) Research and Studies	760,000	100%
(f) Project management and non- salary adminis- trative costs	600,000	100% of foreign expenditures and 50% of local expenditures
(2) Part C of the Project:		
(a) Construction materials and furniture for Part C.2 of the Project	8,320,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items pro- cured locally
(b) Consultants' services and training	680,000	100%
(c) Project manage- ment and non- salary adminis- trative costs	150,000	100% of foreign expenditures and 50% of local expenditures
(3) Unallocated	4,790,000	
TOTAL	29,000,000	

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; 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 payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) strengthen the Borrower's education sector's capacity to plan and implement appropriate and effective education policies and programs; (ii) improve the quality of education

instruction at the primary and secondary levels; and (iii) strengthen the mobilization and effective utilization of non-government resources for the improvement and selective expansion of educational facilities.

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: Development of Institutional Capacity For Planning and Managing Educational Programs

1. Strengthening of school management and administration through: (a) training of about 10,000 primary school head teachers, 500 school inspectors, 300 District Supply and Logistics Officers, DEOs and REOS; and (b) refurbishing of the Institute of Management Training for Education Personnel.
2. (a) Strengthening of the information base available to education authorities, with special emphasis on the systematic collection, analysis and dissemination of school performance indicators, efficiency measures, and cost and financing data through the provision of training and technical support, the acquisition of computer software, bibliographical materials and equipment, and the development and printing of data collection instruments.

(b) Strengthening the Borrower's Examination Council to enable it to annually prepare and distribute examination results by level, district, subject and sex.
3. (a) Improvement of MOE's Department of Planning's capacity to plan, conduct and coordinate educational research program and to plan sectoral improvements, through the establishment of a research committee in MOE and an Educational Research Bureau associated with Faculty of Education at the University of Dar es Salaam.

(b) Acquisition of microcomputer equipment and software, library materials and vehicles to support above activities.
4. Carrying out studies to assist the Borrower's efforts to update the existing national educational strategy. .
5. Carrying out of preinvestment studies for future education projects.

Part B: Qualitative Improvements

1. Strengthening of ICD through the construction of an administration building, a library, staff offices, and ICD's School Equipment Development Unit workshop and laboratory facilities, the rehabilitation of existing offices, provision of fellowships and training for ICD staff and acquisition of office and science equipment, materials, furniture and vehicles.
2. Improvement in the science curriculum and methodology for teaching science courses in secondary schools, through the training of science teachers in the use of newly developed materials, the refurbishing and equipping of ten zonal Teacher Resource Centers and the acquisition of teaching materials and equipment.
3. Implementation of a primary textbook production

program, including manuscript development, production and distribution of textbooks, and teacher orientation.

4. Implementation of a secondary textbook production program, including manuscript development, revision of current "O" level textbooks for Kiswahili and various social sciences, production and distribution of textbooks, and teacher orientation.

5. Upgrading university, TTC and secondary school libraries and initiating a pilot primary school library extension project, through repair of secondary school library facilities, acquisition of bookcases, related library fixtures and reference books, and training of school librarians.

Part C: Mobilization of Community Resources

1. Development and implementation of a comprehensive school maintenance strategy through:

(a) training of SMARTs in all districts in school building and maintenance, using locally available materials and technology;

(b) formulation of cost effective standard norms for primary school rehabilitation and maintenance; and

(c) promoting incentives for community participation.

2. Rehabilitation of about 5,200 primary school classrooms and related facilities with the assistance of local communities.

3. Provision of incentives to increase community efforts in financing the establishment and improvement of secondary schools, through the establishment of a National Education Trust Fund to assist schools established by DETFs and similar community-based non-profit organizations, and the provision of funds to match community investments in such schools.

* * *

The Project is expected to be completed by June 30, 1996.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. (a) Bidders for the works included in Parts A.1, B.1, B.2 and B.5 and books under Parts B.3 and B.4 of the Project shall be prequalified as described in paragraph 2.10 of the Guidelines.

(b) To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost the equivalent of \$100,000 or more each.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Tanzania may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Preference for Domestic Contractors

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

Part D: Other Procurement Procedures

1. Civil works under Parts B.1, B.2 and B.5 of the Project estimated to cost less than the equivalent of \$250,000 per contract, up to an aggregate amount not to exceed the equivalent of \$2,000,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally in accordance with procedures satisfactory to the Association.

2. Contracts for the rehabilitation of primary schools may be undertaken by the community within which the school is located.

3. Selected titles of library/reference books and printed materials, up to an aggregate amount not to exceed \$2,400,000, may be procured on the basis of competitive quotations for discounts on list prices or directly from the publishers of such books or their authorized distributors.

4. Proprietary science equipment, up to an aggregate amount not to exceed \$250,000 may be procured directly from the manufacturers of such equipment.

5. Equipment and supplies estimated to cost less than the equivalent of \$100,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,000,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

1. Review of prequalification:

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

2. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Accounts, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished

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

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

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

Section II. Employment of Consultants

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

SCHEDULE 4

Implementation Program

Project Coordination

1. The implementation of the Project shall be coordinated by the PCT under the executive management of the Director of Planning in MOE. The PCT shall be headed by a Project Coordinator, who shall be responsible for overall supervision and control of the day-to-day progress of Project implementation. The Project Coordinator shall be assisted by two Deputy Project Coordinators, one from MOE and the other from MLG, each heading a Project team within their respective ministries (PCT/MOE and PCT/MLG). PCT/MOE, shall have at least eight members and be responsible for the specific project activities falling within MOE. PCT/MLG shall comprise at least three members and be responsible for Project activities within MLG.

2. Within its area of responsibility each PCT shall be responsible for: (a) the detailed planning of each phase of the Project and the modification of the overall targets, as and when needed; (b) the coordinated and logical development of the various elements of the Project; (c) the final selection of the primary schools to be rehabilitated and the community secondary schools to be assisted by NETF, in accordance with criteria established under the Project; (d) the management of all Project funds and their disbursement; and (e) the annual evaluation and report on the progress of the Project.

3. The Borrower shall: (a) by February 15 in each year furnish to the Association for its review and comments, the annual work plan for the following Fiscal Year; (b) thereafter implement such annual work plan taking into account the Association's comments; and (c) by September 30 in each year, furnish to the Association the annual progress report on Project implementation for the

previous year.

4. The Borrower shall convene: (a) joint annual implementation reviews with the Association; and (b) a mid-term review to assess performance in Project implementation, modify Project implementation targets and strategies and prepare future work programs and budgets.

Part A of the Project

5. Management training for head teachers, school inspectors, District Supply and Logistics Officers, DEOs and REOs under Part A of the Project shall be provided by the MOE and the Institute of Management Training for Education Personnel.

6. (a) The Borrower shall establish a research committee within MOE with participation of representatives of Dar es Salaam University. The Committee shall develop a research agenda, award research contracts, supervise research and coordinate the publishing of research results.

(b) The Borrower shall undertake studies/research on, inter alia, the following areas and shall furnish the terms of reference for such studies to the Association not later than December 31, 1990:

- (i) evaluation of use of textbooks and instructional time;
- (ii) methods for teaching science and mathematics;
- (iii) costs of education and willingness and capacity to share costs;
- (iv) budgetary implications of various policies for financing education;
- (v) responsibilities and roles of education managers in a decentralized system;
- (vi) criteria that districts should use in locating and building new schools; and
- (vii) preinvestment study on priority needs of the education sector.

(c) The Borrower shall host two seminars on its strategy for the education sector, with donors involved in the sector, the first within the one year and the second within three years after the Effectiveness Date.

(d) The Borrower shall by December 31, 1994, furnish to the Association for its review, the recommendations of the preinvestment study referred to in subparagraph (b) (vii) above.

Part B of the Project

7. The Book Management Unit with MOE shall absorb the functions and staff of, and replace the Primary Education Coordinating Office in MOE and supervise all procurement and award of publishing and printing services to produce the textbooks and teaching guides from the manuscripts prepared by ICD and approved by MOE as well as delivery of textbooks to schools.

8. The Borrower shall by: (a) December 31, 1991, complete the program for familiarizing secondary school teachers with the unified science syllabus; (b) the 1992

School Year initiate the testing of the unified science syllabus and materials in about 20 pilot secondary school; and (c) December 31, 1993, evaluate the experience in the pilot schools and complete revisions in the science syllabus incorporating the results of the evaluation.

9. (a) The primary textbook production shall be implemented in two phases. During the first phase selected existing textbooks and teachers guides in English, Science and Mathematics shall be printed and distributed to the schools. The second phase shall involve the systematized development, field-testing, production and distribution of new series in Kiswahili, Health and Livelihood, Social Studies, English, Science and Mathematics.

(b) The secondary textbook production shall also be implemented in two phases. By June 30, 1991, the Borrower shall obtain the reprint and adaptation rights to appropriate textbooks in Science, English and Mathematics. Thereafter the textbooks shall be field-tested in about 12-15 schools, and the feedback shall form the basis for the development of a new secondary textbook series for the subject areas concerned.

10. The Borrower shall by March 31 in each year agree with the Association on: (a) adequate allocations of funds for textbook development, field testing, printing, distribution and teacher orientation; and (b) commencing 1991, gradually increase its annual budgetary allocation for the minimum primary textbook package, in accordance with a plan of action agreed with the Association during the annual review of Project implementation provided for in paragraph 4 above.

11. The Borrower shall not later than June 30, 1991, announce that complementary marketing channels shall be allowed to open and operate to facilitate purchases of additional textbooks from private sources.

Part C of the Project

11. (a) The Borrower shall: (i) by December 31, 1990, furnish to the Association for its approval, a list of 100 primary schools considered to have met the selection criteria, for inclusion in the first year of rehabilitation work; and (ii) by June 30, 1991, prepare and discuss with the Association a comprehensive school maintenance policy/strategy, providing for a gradual increase in recurrent allocations for school maintenance, for introduction into the education system commencing in 1992.

(b) The school rehabilitation program shall be implemented in two phases. The first phase shall involve the training of SMARTs organized in each District comprising a core group of two to three community craftsmen. The selected candidates shall be obligated to at least two years service to the District. The second phase shall involve the rehabilitation of about 5,200 primary school classrooms and related facilities. The communities shall provide labor and finance the services of the SMARTs. The Borrower shall employ a construction management consultant to train and assist PCT/MLG staff in the organization and supervision of the program, materials procurement and distribution.

12. NETF shall provide financial assistance to DETFs and other similar community-based non-profit organizations, to match capital investments contributed towards the establishment of day secondary schools. The criteria for

eligibility for MF assistance under the Project shall be satisfactory to the Association, and shall include, inter alia, the granting annually by the DETF concerned, of full scholarships for secondary education to at least three primary school leavers, from poor families unable to afford school fees and obtaining the highest placements in the primary school leaving examinations.

13. The Borrower shall closely monitor the performance of NETF assisted secondary schools in accordance with performance indicators acceptable to the Association, to ensure that they conform to MOE's prescribed standards for curriculum, teacher qualifications, school timetables, student-teacher ratios and school facilities.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) (a), through (f) (for the MOE Special Account) and Categories (2) (a) through (c) (for the MLG Special Account) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 for the MO E Special Account and \$500,000 for the MLG Special Account to be withdrawn from the Credit Account and deposited into the respective Special Accounts pursuant to paragraph 3 (a) of this Schedule.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Accounts such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Accounts, the Borrower shall furnish to the Association requests for deposits into that 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 Accounts such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of the Special Accounts for eligible expenditures.

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

4. For each payment made by the Borrower out of the Special Accounts, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Accounts:

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

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the respective Special Accounts as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Accounts: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; and (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association (A) provide such additional evidence as the Association may request, or (B) deposit into the Special Accounts (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Accounts shall be made until the Borrower has provided such evidence or made such deposit

or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the respective Special Accounts will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

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

