

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 3594 VN

Development Credit Agreement

(Primary Teacher Development Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 02, 2002

CREDIT NUMBER 3594 VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 02, 2002, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of

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the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

(B) the Borrower expects to receive from the United Kingdom of Great Britain and Northern Ireland, through its Department for International Development (DFID), assistance in the financing of the Project in an aggregate principal amount of about seven million one hundred and ten thousand Pounds Sterling (£ 7,110,000) (the DFID Grant) to be provided to the Borrower on the terms and conditions set forth in the agreement to be entered into between the Borrower and the Association as administrator of those grant funds received from DFID (the DFID Trust Fund Grant Agreement);

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

“12. ‘Participating Country’ means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and ‘Participating Countries’ means, collectively, all such countries.” ; and

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

“Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.”

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein

set forth and the following additional terms have the following meanings:

(a) “Category” means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(b) “DFID Memorandum of Understanding” and “DFID MOU” mean the memorandum of understanding between DFID and the Association for the administration by the Association of the proceeds of the DFID Grant, as may be amended from time to time by agreement between DFID and the Association.

(c) “District” means an administrative sub-division of a province.

(d) “DOET” means the Department of Education and Training in a Project Province, responsible for the management of education within said Province, and any successor thereto; and “DOETs” means, collectively, all said Departments of the Project Provinces.

(e) “Inter-ministerial Project Steering Committee” means the committee to be established by the Borrower pursuant to the provisions of paragraph 1 of Schedule 4 to this Agreement.

(f) “MOET” means the Borrower’s Ministry of Education and Training, and any successor thereto.

(g) “PCU” means the Project Coordination Unit established within MOET with the responsibility for the day-to-day management of the Project, and referred to in paragraph 2 of Schedule 4 to this Agreement.

(h) “Project Management Report” means each report prepared in accordance with Section 4.02 of this Agreement.

(i) “Project Provinces” means the provinces of the Borrower listed in the Annex to Schedule 2 to this Agreement, as said Annex may be revised from time to time by agreement between the Borrower and the Association.

(j) “Special Account” means the account referred to in Section 2.02(b) of this Agreement.

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 fifteen million six hundred thousand Special Drawing Rights (SDR 15,600,000).

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 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 a special deposit account in a commercial bank, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2005 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate 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 June 15 and December 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 June 15 and

December 15 commencing June 15, 2012 and ending December 15, 2041. Each installment to and including the installment payable on December 15, 2021 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

(A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and

(B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due

diligence and efficiency and in conformity with appropriate administrative, financial and 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 and 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 9.07 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 continued achievement of the objectives 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 or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, 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 and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account 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 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 provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than October 31, 2003, or such later date as the Association shall agree, to prepare quarterly Project Management Reports acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit and out of the proceeds of any grant or loan made to the Borrower for the financing of the Project (a Co-financing) including the DFID Grant, during the period covered by said report, and expenditures proposed to be financed out of the proceeds of the Credit and out of the proceeds of any Co-financing, during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both

cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit and contracts financed out of the proceeds of any Co-financing, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely, that:

- (a) Subject to paragraph (b) of this Section 5.01:
 - (i) the right of the Borrower to withdraw the proceeds of the DFID Grant, or any other 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
 - (ii) any such loan shall have become due and payable prior to the agreed maturity thereof.

(b) Paragraph (a) of this Section 5.01 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(h) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (a) (ii) of Section 5.01 of this Agreement shall occur subject to the proviso of paragraph (b) of that Section.

ARTICLE VI

Effective Date; Termination

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

(a) the DFID Trust Fund Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of the Development Credit Agreement, have been fulfilled;

(b) the Inter-ministerial Project Steering Committee has been established in accordance with the provisions of paragraph 1 of Schedule 4 to this Agreement;

(c) core staff for the PCU have been selected and appointed in accordance with the provisions of paragraph 2 (b) of Schedule 4 to this Agreement;

(d) the PCU has engaged the services of a procurement advisor under terms of reference satisfactory to the Association;

(e) the PCU has established an adequate project financial management system in accordance with the provisions of paragraph 3 of Schedule 4 to this Agreement; and

(f) the Borrower has completed the preparation of an initial primary teacher profile which includes dimensions and levels of teacher knowledge, skills, competencies and attitudes.

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

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Governor or any Deputy Governor of the State Bank of Vietnam 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:

State Bank of Vietnam

49 Ly Thai To Street
Hanoi
Socialist Republic of Vietnam

Cable address:	Telex:	Facsimile:
VIETBANK Hanoi	412248 NHTWVT	(84-4) 825 0612

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)	(1-202) 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 Hanoi, Socialist Republic of Vietnam, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIETNAM

By

/s/

Le Duc Thuy
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/

Andrew Steer
Authorized Representative

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) Goods (other than learning materials)	7,500,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally
(2) Learning Materials	1,900,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally
(3) Training	4,800,000	65%
(4) Unallocated	1,400,000	
TOTAL	<u>15,600,000</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 payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 390,000, may be made on account of payments made for expenditures before that date but after May 31, 2001.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods, other than learning materials, under contracts costing less than \$100,000 equivalent each; (b) learning materials under contracts costing less than \$100,000 equivalent each; and (c) training; all 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 to assist the Borrower to establish a program of development of the primary education teaching force by formulating professional standards, training programs, related quality assurance mechanisms, and terms of service for primary education teachers.

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: Teacher Professional Standards

1. Development of a teacher professional profile, including: (a) definition of required competencies; (b) establishment of standards of preparation and performance for each stage of teacher professional development; and (c) formulation of guidelines on the application of such professional profile.

2. Piloting of the application of the teacher professional profile in: (a) the evaluation of existing in-service and pre-service training programs for primary teachers; and (b) the classification of teaching trainees and teachers, and identification and prioritization of their development needs.

Part B: Teacher and Education Manager Training

1. Development of training programs for teachers, teacher trainers and education managers, including: (a) assessment of training needs; and (b) development, piloting, evaluation and

dissemination of training modules.

2. Development of teacher training capacity in selected provinces, including: (a) strengthening of selected teacher training programs and institutions; and (b) establishment of teaching resources and materials development centers in selected District offices.

Part C: Quality Assurance

1. Development of an enhanced personnel management information system and dissemination of practices for consistent application and interpretation of a teacher professional profile.

2. Development and dissemination of standards and procedures for the classification of teachers.

3. Development of accreditation policies, evaluation criteria and accreditation standards and procedures for teacher training institutions and programs.

4. Development of procedures to analyze school programs, and to formulate and implement improvement strategies.

5. Development of a communication strategy to inform stakeholders on the objectives and processes of the Project and on the strategy for education reform and development.

Part D: Terms of Service

Formulation of terms of service for primary teachers conducive to the improvement of teaching performance and efficient deployment of teachers; and design of an implementation plan and communication strategy regarding said terms of service.

Part E: Implementation, Monitoring and Evaluation Capacity

Strengthening of the Borrower's capacity to implement the Project, monitor and evaluate the impacts of the Project and related programs for teachers, and prepare a detailed plan for the expansion of the Borrower's program for the development of primary teachers.

* * *

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

ANNEX TO SCHEDULE 2

Project Provinces

Ben Tre Province

Binh Phuoc Province

Kontum Province

Ninh Binh Province

Phu Yen Province

Quang Binh Province

Son La Province

Vinh Phuc Province

Hai Phong City

Ho Chi Minh City

SCHEDULE 3

Procurement

Part A: General

1. Goods shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines); and (b) the provisions of the following Parts B, C and D.

2. For the purposes of the procurement of goods to be financed in whole or in part out of the proceeds of the Credit, the references in paragraphs 1.6 and 1.8 of the Guidelines to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C below, goods, including learning materials, shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Grouping of contracts

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

(b) Preference for domestically manufactured goods

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods, other than learning materials, estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,720,000 equivalent, and (b) learning materials estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,330,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International and National Shopping

(a) Goods, other than learning materials, estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$560,000 equivalent, and (b) learning materials estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$530,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures or, in the event that such goods or learning materials are ordinarily available at competitive prices from more than one source within the Borrower's country, on the basis of national shopping procedures, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement from UN Agencies

Off-the-shelf standard items, including office equipment, computers and related equipment, and vehicles, estimated to cost less than \$50,000 equivalent per contract, may be procured from IAPSO or UNICEF in accordance with the provisions of paragraph 3.9 of the

Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods other than learning materials or for learning materials, estimated to cost the equivalent of \$100,000 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.

SCHEDULE 4

Implementation Program

The provisions of this Schedule shall apply for purposes of Section 3.01 (b) of this Agreement.

Project Management and Implementation

1. The Borrower shall establish, and thereafter throughout the period of implementation of the Project maintain, an inter-ministerial Project steering committee with representatives from, inter alia, the Borrower's State Bank of Vietnam, Ministry of Education and Training, Ministry of Planning and Investment, Ministry of Finance and Government Committee on Organization and Personnel, said committee to be responsible for overseeing the implementation of the Project and ensuring its coordination with the Borrower's economic and social development policy.

2. (a) The Borrower shall maintain within MOET, throughout the period of implementation of the Project, the Project Coordination Unit under terms of reference acceptable to the Bank, managed and staffed with qualified personnel in adequate number, and with

adequate resources, to be responsible for the day-to-day management of the Project.

(b) Without limitation to the provisions of sub-paragraph (a) of this paragraph 2, the Borrower shall appoint to the PCU qualified specialists acceptable to the Association to lead implementation activities in each of the following areas, under terms of reference acceptable to the Association: (i) development of teachers' professional standards; (ii) design of teacher training programs; (iii) quality assurance; (iv) formulation of teachers' terms of service; (v) administration and project management training; (vi) accounts and finance; and (vii) procurement.

3. The Borrower shall establish and maintain a financial management system within the PCU, acceptable to the Association, to ensure proper execution and monitoring of project implementation. To that end, the Borrower shall, inter alia: (a) appoint or engage qualified financial management staff for the PCU; (b) establish a records management system and a chart of accounts; and (c) establish a computerized system to support the preparation of project financial statements and management reports and provide training to the PCU staff in the operation thereof.

4. The Borrower shall carry out the Project in accordance with an implementation plan satisfactory to the Association; to that end:

(a) the Borrower shall, by November 30 of each year furnish to the Association for its review and comments an annual work plan for the next succeeding calendar year, except for the first annual work plan which shall be furnished to the Association by no later than March 31, 2002; each such plan shall be prepared under terms of reference acceptable to the Association and shall include, without limitation, the programs of training in the application of the teacher profile, of development and distribution of teacher training modules, of outreach and dissemination of information to stakeholders; and

(b) thereafter, the Borrower shall carry out each such annual work plan taking into consideration the comments of the Association thereon.

5. The Borrower shall: (a) by no later than March 31, 2005, prepare and furnish to the Association a detailed action plan to expand the program for primary teachers development to Provinces other than the Project Provinces; and (b) thereafter, discuss and exchange views on such plan with the Association.

Monitoring and Reporting

6. 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 within 30 days after the end of each calendar quarter, commencing with the second quarter in 2002, a quarterly report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph 6, on the progress achieved in the carrying out of the Project during the calendar quarter preceding the date of said report (or in the case of the last such report furnished for each calendar year, during the preceding four calendar quarters), 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;

(c) review with the Association and DFID, by January 31 of each year, commencing in 2003, or such later date as the Association shall request, the annual report referred to in subparagraph (b) of this paragraph 6, 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 Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) 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 \$2,000,000 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 \$1,000,000 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 6,300,000.

2. Payments out of the 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 Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

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

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

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

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

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

(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 said Section in respect of the audit of the records and accounts for the Special Account;

(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 eligible Categories minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

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

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

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

(d) Refunds to the Association made pursuant to 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.

