

CONFORMED COPY

CREDIT NUMBER 1853 CV

(Primary Education Upgrading Project)

between

REPUBLIC OF CAPE VERDE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 17, 1987

CREDIT NUMBER 1853 CV

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 17, 1987, between REPUBLIC OF CAPE VERDE (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; 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 Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated October 26, 1987 and November 16, 1987 between the Borrower and the Association;

(c) "MOE" means the Ministry of Education of the Borrower;

(d) "MOE's Organic Law" means the law enacted by the Borrower governing the new administrative structure and functions of MOE's institutional units;

(e) "Institute of Education" means the Borrower's institute responsible for pre-service and in-service training for primary school teachers, and for developing, evaluating and monitoring programs, manuscripts and examinations relative to basic education.

(f) "EBI" means the unitary six-year cycle for basic education with an integrated curriculum to be established pursuant to the objectives of the Borrower's Second National Development Plan of December 1986;

(g) "Project Account" means the account referred to in Section 3.01 (b) of this Agreement;

(h) "Teaching materials" means materials and supplies for primary school teachers' use in their functions, but excluding textbooks and teachers' guides;

(i) "School supplies" means materials and supplies for primary school pupils' use;

(j) "C.V. Esc." means Cape Verde Escudos, the currency of the Borrower;

(k) "Fiscal Year" means the Borrower's fiscal year which runs from January 1 to December 31;

(l) "School Year" means the Borrower's primary school year which runs from October 1 to June 30; and

(m) "Municipality of Santa Cruz" means an administrative area located on the island of Santiago in the Borrower's territory.

## 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 three million three hundred thousand Special Drawing Rights (SDR 3,300,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1994 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 at the rate of one-half of one percent ( $1/2$  of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) 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 1 and December 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 June 1 and December 1 commencing December 1, 1997 and ending June 1, 2027. Each installment to and including the installment payable on June 1, 2007 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MOE, in accordance with the Implementation Program set forth in Schedule 4 to this Agreement, 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 and make the appropriate budgetary allocations required for the Project.

(b) Without limitation or restriction upon the provisions of paragraph (a) of this Section, the Borrower shall: (i) allocate in its budget funds sufficient to cover the Borrower's counterpart contribution to the costs of the Project; (ii) open exclusively for the purposes of the Project and thereafter maintain in C.V. Esc. a commercial bank, a Project Account; (iii) make an initial deposit in the Project Account, in an amount equivalent to \$75,000; and (iv) thereafter replenish said Project Account, as and when required, to ensure that, on the first day of each calendar quarter of each year the Project is executed, the amount estimated to be required to cover expenditures for the Project during such quarter, which are not financed out of the proceeds of the Credit, is available therein.

Section 3.02. The Borrower shall employ, at all times throughout the execution of the Project, the following key staff all with qualifications and experience satisfactory to the Association:

- (a) Project Director;
- (b) Deputy Project Director; and
- (c) Accountant.

Section 3.03. 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 3.04. For purposes of Part B.1, 2 and 3 of the Project, the Borrower shall:

- (a) not later than January 31, 1988, prepare and furnish to the Association for its review and comment:
  - (i) in-service and pre-service training programs for primary school teachers;
  - (ii) draft regulations governing of certification and salary status for teachers having successfully completed in-service and pre-service training programs;
- (b) not later than June 30, 1988, approve the training programs and regulations referred to in paragraph (a) of this Section paying due regard to any comments made by the Association; and
- (c) not later than January 31, 1989, implement said programs and put into effect said regulations.

Section 3.05. The Borrower shall:

- (a) not later than March 31, 1991, conduct a mid-term review jointly with the Association on: (i) progress made in achieving Project objectives; (ii) MOE's budget projections for the following five years; (iii) effectiveness of MOE's revised administrative framework; and (iv) the design of a detailed work program for the

countrywide implementation of EBI; and

(b) promptly thereafter, put into effect the recommendations arising out of said review, as determined in agreement with the Association.

Section 3.06. The Borrower shall: (a) not later than August 31, in each year, review jointly with the Association:

(i) proposed budgetary allocations to and within MOE for the following  
Fiscal Year;

(ii) progress achieved by MOE's institutional units in the  
implementation of their annual work programs;

(iii) progress achieved towards the implementation of EBI in the  
Municipality of Santa Cruz; and

(b) promptly thereafter, put into effect the recommendations arising out of said review, as determined in agreement with the Association.

Section 3.07. The Borrower shall, not later than January 31, 1988:

(a) set annual targets concerning the pupil/teacher ratio; and

(b) implement all necessary measures to increase said pupil/teacher ratio to 36:1 between the school years of 1988/89 and 1993/94.

Section 3.08. The Borrower shall, not later than August 31, 1991, implement cost recovery systems for textbooks and school supplies, including the establishment of a Textbook Revolving Fund and a School Supplies Revolving Fund, respectively, on terms and conditions satisfactory to the Association.

Section 3.09. The Borrower shall:

(a) not later than January 31, 1988, approve a system of automatic promotion for students in basic education on terms and conditions satisfactory to the Association; and

(b) not later than September 30, 1992, implement the system mentioned in paragraph (a) of this Section.

Section 3.10. The Borrower shall take all steps necessary to ensure that all MOE staff having received training abroad financed under the Project remain in their assignments for a period of at least three years after completion of such training.

#### ARTICLE IV

##### Financial Covenants

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

(b) The Borrower shall:

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

(ii) furnish to the Association, as soon as available, but in any case  
not later than six months after the end of each such year, a certified  
copy of the report of such audit by said auditors, of such scope  
and in such detail as the Association shall have reasonably requested;  
and

(iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

(a) of this (i) maintain or cause to be maintained, in accordance with paragraph 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) MOE's Organic Law shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement;

(b) the Borrower's legal instruments creating and organizing the Institute of Education shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement; and

(c) the Borrower or any other authority having jurisdiction shall have taken any action concerning primary school teachers' status and salaries that would materially and adversely affect the objectives of the Project.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified, namely that any of the events specified in paragraphs (a), (b) or (c) of Section 5.01 of this Agreement shall occur.

#### 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) MOE's Organic Law has been enacted;

(b) the Institute of Education has been legally established;

(c) the staff referred to in Section 3.02 of this Agreement have been appointed under terms and conditions acceptable to the Association; and

(d) the Project Account referred to in Section 3.01 (b) of this Agreement has

been opened and the initial deposit has been made therein.

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

Section 6.03. The obligations of the Borrower under Section 4.01 and the provisions of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty years after the date of this Agreement, whichever shall be the earlier.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Finanzas  
C.P. 30  
Praia  
Cabo Verde

Cable address:

FINANCAS  
Cabo Verde

Telex:

6058 MCECV

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

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.

REPUBLIC OF CAPE VERDE

By /s/ Andre Corsino Tolentino

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works for Part B.4 of the Project	380,000	85%
(2) Furniture, equip- ment, materials, supplies and textbooks	950,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items pro- cured locally
(3) Consultants' ser- vices including audits and fellowships	860,000	100%
(4) Studies for Part E of the Project	100,000	100%
(5) Operating costs of MOE	90,000	100% of foreign expenditures and 50% of local expenditures
(6) Salary increase of upgraded primary teachers for Part B.3 of the Project	500,000	80% in 1991 and 1992
(7) Refunding of Project Prepa- ration Advance	80,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(8) Unallocated	340,000	
TOTAL	3,300,000	

2. For the purposes of this Schedule:

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



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

(c) the term "operating costs of MOE" means: maintenance costs of equipment, vehicles and buildings of MOE related to the Project; student evaluation and testing costs; Project administration costs; costs of distribution of textbooks and school supplies; and per diem for primary teachers and trainers under Part B.1 of the Project; and

(d) the term "salary increase of upgraded primary teachers" means: increased costs of salaries for primary teachers who have successfully completed of the in-service training program referred to in Part B.1 of the Project.

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) payments for expenditures under Category (1), unless the Association shall be satisfied with the architectural plans and building and equipping specifications for the Institute of Education under Part B.4 of the Project.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist the Borrower in improving the efficiency and quality of its basic education system.

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 objective:

#### Part A: Restructuring Basic Education

1. Development of the curriculum, teaching materials, pedagogical methods and examination and promotion policies for EBI.
2. Implementation and evaluation of EBI in the Municipality of Santa Cruz.

#### Part B: Upgrading the Quality of Primary School Teachers

1. In-service teacher training for about 1,200 primary school teachers in basic education and pedagogical skills to teach the EBI curriculum.
2. Pre-service teacher training for an enrollment of about 210 primary school teacher trainees per year.
3. Adjustment of the status of upgraded primary school teachers.
4. Construction, equipping and furnishing of new office and non-residential training facilities for the Institute of Education.

#### Part C: Increasing the Availability of Textbooks, Teaching Materials and School Supplies

1. Strengthening of textbook preparation, distribution and cost recovery methods and procedures.
2. Preparation, printing and distribution of about 440,000 new and revised primary textbooks and teachers' guides.
3. Acquisition and distribution of teaching materials and school supplies.

#### Part D: Improvement of Education Sector Management

Development and implementation of MOE's:

- (a) administrative reorganization;
- (b) procedures for the preparation, monitoring and evaluation of work programs; and
- (c) staff training program.

Part E: Studies

Carrying out of studies on:

1. cost and financing of education; and
2. low-cost methods of school construction.

\* \* \*

The Project is expected to be completed by December 31, 1993.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods 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. To the extent practicable, contracts shall be grouped in bid packages estimated to cost the equivalent of \$50,000 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 Cape Verde 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: Other Procurement Procedures

1. Local Competitive bidding

Civil works and furniture may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. International or Local Shopping

Office materials and school supplies, estimated to cost less than the equivalent of \$20,000 per contract, up to an aggregate amount not to exceed the equivalent of \$60,000, 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.

3. Direct Contracting

The distribution of school supplies and textbooks from the Borrower's ports of entry to the district warehouses may be procured under direct contracting in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(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 Account, such procedures shall be modified to ensure that the two conformed copies of the contract, together with the other information required to be furnished to the Association pursuant to said paragraph 3, shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. 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

1. Project Management

(a) Under the supervision of the Minister of Education, the Director do Gabinete de Estudos e PlanificacUo of MOE (the DGEP) shall be responsible for the overall management of Parts A, B, C, D (c) and E of the Project and the Director General of Administration of MOE (the DGA) shall be responsible for the overall management of Part D (a) and (b) of the Project.

(b) In discharging his responsibilities under the Project, the DGEP shall be assisted by a Deputy and shall report directly to the Minister of Education. The Deputy Project Director (the DAP) who shall be employed on a full-time basis shall be responsible for day-to-day activities concerning curriculum, teaching materials development and in-service and pre-service primary teacher training, and for the implementation and evaluation of EBI in the Municipality of Santa Cruz.

(c) To ensure adequate coordination of Project activities, a Project Advisory Committee made up of the DGEP (chairman), the Director General of Education (the DGE), the DGA, the Inspector General of Education of MOE (the IG), the Director General of Public Works of the Ministry responsible for public works and the DAP, shall meet at least on a quarterly basis to review progress and plan future Project activities.

(d) The DGEP, assisted by the DGA, shall be responsible for the physical implementation of the Project and for Project financing, disbursements and procurement.

2. Part A of the Project

(a) Implementation of EBI

EBI shall be implemented in the Municipality of Santa Cruz, in three phases as follows:

- (i) Grades 1 and 3, not later than September 30, 1989;
- (ii) Grades 2 and 4, not later than September 30, 1990; and
- (iii) Grades 5 and 6, not later than September 30, 1991.

(b) Promotion System and Examination

The system of automatic promotion for students shall be implemented in the Municipality of Santa Cruz according to the following timetable:

- (i) Grade 1, not later than September 30, 1991;
- (ii) Grade 3, not later than September 30, 1993; and
- (iii) Grade 5, not later than September 30, 1995.

The Evaluation Unit of the Institute of Education and the Inspectorate-General of Education of MOE shall prepare and establish national standards and norms, and administer school examinations. New examinations shall be introduced in the Municipality of Santa Cruz as follows:

- (i) Grade 2, not later than September 30, 1992;
- (ii) Grade 4, not later than September 30, 1994; and
- (iii) Grade 6, not later than September 30, 1996.

3. Part B of the Project

In-service Teacher Training

Implementation of the four-year in-service training program shall be the joint responsibility of the Inspectorate-General of Education and the Institute of Education.

Pre-Service Teacher Training

Implementation and coordination of two pre-service training programs shall be the responsibility of the Institute of Education.

4. Part C of the Project

Preparation of the textbook manuscripts shall be the responsibility of the Institute of Education. Textbook and school supply procurement, management of textbook and school supply sales, operation of the Textbook Revolving Fund and of the School Supplies Revolving Fund, and supervision of textbook and school supply distribution arrangements shall be the responsibility of the DGA, assisted by the DGE.

5. Part D of the Project

The implementation and coordination of the administrative reorganization of MOE shall be the responsibility of the DGA assisted by the IG and the Adviser to the Minister of Education.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

- (a) the term "eligible Categories" means Categories (1) through (6) 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 \$300,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

(i) 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

(ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) 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 any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Credit Account.

