

CONFORMED COPY

CREDIT NUMBER 2118 BD

Development Credit Agreement

(General Education Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 4, 1990

CREDIT NUMBER 2118 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 4, 1990, between PEOPLE'S REPUBLIC OF BANGLADESH (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 intends to obtain from the Netherlands' Minister for Development Cooperation (the Netherlands) a grant (the Netherlands Grant) in an amount of 26,500,000 Dutch Guilders, equivalent to approximately \$14,000,000, to assist in financing Parts C, D, F, G, H and O of the Project on the conditions set forth in an agreement (the Netherlands Grant Agreement) to be entered into between the Borrower and the Royal Netherlands Government;

(C) the Borrower intends to obtain from the Swedish Government (Sweden) a grant (the Swedish Grant) in an amount of 86,200,000 Swedish Kronors, equivalent to approximately \$14,000,000, to assist in financing Parts C, D, F, G, H and O.1 of the Project on the conditions set forth in an agreement (the Swedish Grant Agreement) to be entered into between the Borrower and the Swedish Government;

(D) the Borrower intends to obtain from the United Kingdom of Great Britain and Northern Ireland (the UK) a grant (the UK Grant) in an amount equivalent to approximately \$5,700,000 to assist in financing Part E of the Project on the conditions set forth in an agreement (the UK Grant Agreement) to be entered into between the Borrower and the UK;

(E) the Borrower intends to obtain from the United Nations Development

Programme (UNDP) a grant (the UNDP Grant) in an amount equivalent to approximately \$5,000,000 to assist in financing Parts F, G, H, K, L, M, N, and O of the Project on the conditions set forth in an agreement (the UNDP Grant Agreement) to be entered into between the Borrower and UNDP;

(F) the Borrower intends to obtain from the United Nations Children's Fund (UNICEF) a grant (the UNICEF Grant) in an amount equivalent to approximately \$10,000,000 to assist in financing Parts F, G and H of the Project on the conditions set forth in an agreement (the UNICEF Grant Agreement) to be entered into between the Borrower and UNICEF;

(G) the Borrower intends to obtain from the United Nations Fund for Population Activities (UNFPA) a grant (the UNFPA Grant) in an amount equivalent to approximately \$2,400,000 to assist in financing Part J of the Project on the conditions set forth in an agreement (the UNFPA Grant Agreement) to be entered into between the Borrower and UNFPA; and

(H) the Borrower intends to obtain from the Asian Development Bank (the ADB) a loan (the ADB Loan) from the ADB's Special Funds resources in various currencies equivalent to approximately \$57,600,000 to assist in financing Parts A, F and H of the Project on the terms and conditions set forth in an agreement (the ADB Loan Agreement) to be entered into between the Borrower and ADB; 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) "Fiscal Year" means the Borrower's fiscal year commencing July 1 and ending June 30; and

(b) "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 this Agreement, an amount in various currencies equivalent to one hundred twenty million six hundred thousand Special Drawing Rights (SDR 120,600,000).

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 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 Parts A through I of the Project, open and maintain in dollars a special account in Bangladesh Bank (its Central 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.

Section 2.03. The Closing Date shall be December 31, 1995, 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 semi-annually on February 15 and August 15 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 15 and August 15 commencing August 15, 2000 and ending February 15, 2030. Each installment to and including the installment payable on February 15, 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 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 its Ministry of Education with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and educational practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and

except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

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 nine 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) Subject to sub-paragraph (b) of this paragraph:

- (i) The right of the Borrower to withdraw to proceeds of any grant or loan 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) any such loan shall have become due and payable prior to the agreed maturity thereof.

(b) Sub-paragraph (a) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (i) 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 (ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

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 Borrower has amended its Recruitment Rules for Primary School Teachers to include a recruitment ratio of female teachers to male teachers of 60:40;

(b) all the conditions precedent to the effectiveness of the Netherlands Grant Agreement and the Swedish Grant Agreement, other than the conditions relating to the effectiveness of this Agreement, shall have been fulfilled;

(c) the Project Coordination Unit referred to in Part I of the Project, shall have been established; and

(d) the Borrower has approved the Project Proformas for the carrying out of the Project.

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

Representatives of the Borrower; Addresses

Section 7.01. The Secretary or the Additional Secretary, or any Joint Secretary, Deputy Secretary or Assistant Secretary of the External Resources Division of the Ministry of Planning 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:

External Resources Division
Ministry of Planning
Government of the People's
Republic of Bangladesh
Dhaka, Bangladesh

Cable address:

BAHIRSAMPAD
Dhaka

Telex:

642226 SETU BJ
672796 SETU BJ

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

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.

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ A.H.S. Ataul Karim

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Shinji Asanuma

Acting Regional Vice President
Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Netherlands Grant Allocated (Expressed in DFL Equivalent)	Amount of the Swedish Grant Allocated (Expressed in SEK Equivalent)	% of Expen- ditures to be Financed
(1) Civil works for:				
(a) Parts A.1, B, F.1(a), F.3, F.5(a), G.6 and H.1 of the Project	39,960,000	6,240,000	20,100,000	90%
(b) Part A.2 of the Project	80,000	---	---	100%
(c) Part A.3 of the Project	13,170,000	---	---	100%
(d) Part C.1 of the	---	950,000	3,080,000	100%

Project					
(2)	Vehicles, bicycles, equipment and materials under Parts A, B, C.4, F.1(a), F.2(a), F.2(b), F.3, F.5(a), G.6, H.1 and I of the Project	2,500,000	170,000	550,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(3)	Furniture under Parts A, B, F.1(a), F.3, F.5(a), G.6, H.1 and I of the Project	5,300,000	850,000	2,670,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(4)	Textbooks, journals and other materials under Parts F.1(a), F.2, F.3, F.5, G.6, H.1, H.3 and I of the Project	23,460,000	2,400,000	8,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(5)	Professional fees under Parts A.1, A.5, F.1(a), F.3, F.5(a), G.6 and H.1 of the Project	610,000	---	---	90%
(6)	Incremental staff salaries under Parts C.5, F.1(b), F.1(c), F.3, F.5(c), G and H.2 of the Project	18,770,000	---	---	100% of expenditures for FY 1991; 87.5% of expenditures for FY 1992; 75% of expenditures FY 1993; 62.5% of expenditures for FY 1994; and 50% of expenditures for FY 1995
(7)	Stipends under Part C.2 of the Project	---	1,890,000	6,100,000	100% of expenditures for FY 1991; 75% of expenditures for FY 1992; 50% of expenditures FY 1993; and 25% of expenditures for FY 1994
(8)	Operation and maintenance costs under	1,140,000	680,000	2,220,000	100% of expenditures for FY 1991; 75% of expenditures

Parts F.1(a), F.3, F.5(a), G.3, G.6, H.1 and I of the Project				for FY 1992; 50% of expenditures for FY 1993; and 25% of expendi- tures for FY 1994
(9) Staff salaries under Part I of the Project	140,000	---	---	90%
(10) Consultants' services for Parts H of O.1 of the Project	---	2,080,000	6,570,000	100%
(11) Fellowships for Part H of the Project	---	340,000	1,100,000	100%
(12) Local training under Parts C, F, G and H of the Project	3,410,000	600,000	2,150,000	95%
(13) Goods and services for Part D of the Project	---	7,650,000	25,040,000	100%
(14) Unallocated	12,060,000	2,650,000	8,620,000	
TOTAL	120,600,000	26,500,000	86,200,000	

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 "professional fees" means fees for architectural and engineering services;

(d) the term "incremental staff salaries" means salaries payable to additional new or replacement female teachers and to additional project staff;

(e) the term "stipends" means payments to contract employees for services as instructors under Part C.2 of the Project; and

(f) the term "operation and maintenance costs" means cost of building maintenance, and cost of operating and maintaining equipment and vehicles purchased under 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, except that withdrawals, in an aggregate amount not exceeding the equivalent of SIR 40,000, may be made in respect of Categories (2), (3), (4) and (9) on account of payments made for expenditures under Part I of the Project before that date but after November 1, 1989; (b) Category (1) (b) until: (i) the Borrower has furnished to the Association the implementation plan referred to in paragraph 5 of Schedule 4 to this Agreement, and (ii) the Borrower has employed architectural and engineering consultants to assist the Borrower in the monitoring of the carrying out of Part A.2 of the Project and the preparation of an evaluation report; and (c) Category (1) (c) until the Borrower has: (i) completed Part A.2 of the Project in a

manner satisfactory to the Association; (ii) furnished to the Association the implementation plan referred to in paragraph 5 of Schedule 4 to this Agreement, and (iii) has employed consultants to assist the Borrower in the monitoring of the carrying out of Part A.3 of the Project and the preparation of annual progress reports.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) increase equitable access to primary and secondary schooling; (ii) improve the quality of education at the primary and secondary levels; (iii) strengthen the management capacity of the primary and secondary sub-sectors; and (iv) prepare future policies and programs to reform the structure and financing of higher secondary and post secondary levels.

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

Part A: Construction and Renovation of Public Primary Schools

1. Construction of about 10,000 conventional classrooms.
2. Carrying out of a pilot program of construction of low-cost classrooms.
3. Construction of about 12,000 low-cost classrooms subject to satisfactory completion of Part A.2 of the Project.
4. Carrying out of an applied research program on alternative approaches to primary school design, detail, maintenance and cost.
5. Monitoring of the rural primary school construction program; provision of technical supervision for such construction; and provision of technical assistance relating to preparation and furnishing of reimbursement requests from upazilas to the Project Coordination Unit.

Part B: District Primary Education Offices

Construction of about 46 offices and warehouse facilities, including furniture and equipment, for District Primary Education Officers.

Part C: Satellite Schools Pilot Program

1. Construction of about 200 low-cost satellite schools in about 10 upazilas, each satellite school to include space for at least two classrooms.
2. Provision of stipends to satellite school instructors.
3. Training of satellite school instructors, supervisory teachers, head teachers and assistant upazila education officers.
4. Acquisition of bicycles for supervising teachers and head teachers.
5. Financing, on a declining basis, of the salary of the administrator of the Satellite Schools Pilot Program.

Part D: Non-formal and Non-Government Primary Education Programs

1. Establishment of a fund for the financing of non-formal primary education programs carried out by experienced Non-Governmental Organizations (NGOs) with proven capacity to implement such programs effectively.
2. Establishment of a fund for: the development of expertise of less experienced NGOs; the financing of non-formal primary education programs developed by community groups; and the financing of experienced NGO trainers to assist local groups and other NGOs in the development of their programs.
3. Establishment of a fund to provide grants to community groups and NGOs to develop replicable programs to make public primary schools more attractive to the poor and to girls, including school feeding programs, school uniforms, teaching aids, and

community outreach programs.

Part E: Female Secondary School Scholarship Program

Establishment of a fund for the financing of a female secondary education scholarship program.

Part F: Training of Primary School Teachers

1. Pre-service teacher education:

(a) Upgrading of the facilities at 53 Primary Teachers Training Institutes, including construction of additional dormitory facilities for women, upgrading of library and teaching facilities, expansion of the stock of books and journals, and acquisition of vehicles, equipment and materials.

(b) Financing, on a declining basis, of salaries of incremental staff as required for the above-referenced Institutes.

(c) Financing, on a declining basis, of salaries of new female primary school teachers employed under the Borrower's revenue budget before completion of the Project.

2. Provision of:

(a) More frequent training in clusters at the school level for primary teachers; integration of the training calendars with textbook and curriculum development; and development of revised cluster training pamphlets.

(b) Intensified training for assistant upazila education officers and provision of bicycles to such officers to facilitate their visits to schools.

(c) Retraining for educational personnel in the primary school system, including orientation for voluntary and administrative personnel.

3. Strengthening of the management capacity of the Directorate of Primary Education's Training Division, including upgrading of facilities, acquisition of vehicles, equipment and materials, and financing, on a declining basis, of salaries of incremental staff.

4. Development of a plan for the career path of primary school teachers.

5. Strengthening of the National Academy for Primary Education, including:

(a) upgrading of residential, teaching and library facilities; and acquisition of vehicles, equipment, materials, books and journals;

(b) in-country training and education to the master's or doctorate level of selected staff; and

(c) financing, on a declining basis, of incremental staff salaries.

Part G: Curriculum Development for Primary and Secondary Schools

1. Development and introduction in all primary schools of the revised curriculum and associated teaching materials.

2. Training of instructors at Primary Teachers Training Institutes in the new curriculum and retraining of assistant upazila education officers.

3. Establishment, in the National Curriculum and Textbook Board, the capacity to address women in development issues.

4. Redeployment of primary school teachers taking into account, inter alia, the new curriculum.

5. Establishment of a non-formal incentive scheme for upazilas administered by the District Primary Education Officers and the Upazila Education Officers.

6. Upgrading of the facilities of the Curriculum Wing of the National Curriculum and Textbook Board, including acquisition of vehicles, equipment, materials, books and journals.

7. Provision of academic and technical training for staff, and financing, on a declining basis, of salaries of incremental staff of the Curriculum Wing of the National Curriculum and Textbook Board.

8. Strengthening of the Secondary School curriculum by the development of an Essential Learning Continuum for the lower secondary schools and development of a Continuous Pupil Assessment.

Part H: Textbook Development

1. Upgrading of the facilities of the Textbook Wing of the National Curriculum and Textbook Board, including acquisition of equipment and materials.

2. Provision of training for staff, and financing, on a declining basis, of salaries of incremental staff of the Textbook Wing of the National Curriculum and Textbook Board.

3. Carrying out of a pilot study on the re-use of primary school textbooks and other cost saving measures.

4. Production and distribution of primary school textbooks, including acquisition of paper for printing.

5. Development of secondary school textbooks for mathematics, language and science, including acquisition of equipment and provision of overseas fellowships for staff.

Part I: Project Coordination Unit

Establishment of a Project Coordination Unit including financing of salaries of staff and acquisition of vehicles, equipment and materials.

Part J: Population Education

1. Establishment of a Population Nutrition and Environmental Education function in the National Curriculum and Textbook Board, including acquisition of equipment and training of staff.

2. Development of related education teaching and learning materials for primary and secondary schools up to the tenth grade.

Part K: Examination Reform

1. Strengthening of the structure and functions of the Boards of Intermediate and Secondary Education, including training of staff.

2. Restructuring of the Secondary School Certificate and Higher Secondary Certificate examinations.

Part L: Management Development

1. Strengthening of the National Institute of Educational Administration and Educational Research by providing courses in educational management, including acquisition of equipment, furniture, books and journals.

2. Provision of in-country training, fellowships and study tours for staff.

Part M: Education Management Information System

1. Establishment of a sectoral Education Management Information System to guide policy analysis and operations of the Borrower's Education and its operational Directorates, including in-country training and overseas fellowships for staff, and acquisition of equipment and one vehicle.

2. Strengthening of the Bangladesh Bureau of Educational Information and Statistics to serve as apex institution for sectoral data collection and management.

Part N: Secondary Education Supervision

Strengthening of the management and educational audit capacity of the Directorate of Secondary and Higher Education in the Ministry of Education, including overseas fellowships for staff.

Part O: Studies

1. Carrying out of investigative studies in the primary education sub-sector, including: (i) summative evaluation of the Second Primary Education Project (Credit 1574-BD); (ii) feasibility study of teacher incentive program; (iii) study of methods to increase community participation in public primary schools; (iv) monitoring of models of textbook re-use programs and other cost-saving measures; (v) illustrative studies for program evaluation; and (vi) project preparation for future projects.

2. Carrying out of studies in the secondary and higher education sub-sectors, including: (i) study on improvement of cost sharing and student aid; (ii) study to define means to provide grant aid to private secondary schools and colleges receiving Government aid; (iii) study of methods to improve selection and training of secondary school teachers; (iv) study to examine the management of secondary and higher education by the Borrower; and (v) study to define the issues and policy and program options in secondary and post-secondary education.

* * *

The Project is expected to be completed by June 30, 1995.

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: (i) contracts for goods under Part A.5 of the Project; and (ii) contracts for paper for textbooks under Part H.4 of the Project, shall be grouped in bid packages estimated to cost the equivalent of \$200,000 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 Bangladesh 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. Civil works and furniture shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Civil works for Parts A.2 and A.3 of the Project may be carried out through direct agreements with the concerned school management committees utilizing the model agreement referred to in paragraph 5 of Schedule 4 to this Agreement.

3. Equipment and paper for textbooks estimated to cost less than the equivalent of \$200,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

4. Printing of primary school textbooks shall 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 the procedures acceptable to the Association.

5. Books and journals under Parts F.1 (a), F.3, F.5 (a), G.6 and H.1 of the Project shall 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.

6. Equipment and materials estimated to cost less than the equivalent of \$30,000

for contracts, 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 or through direct contracting with the suppliers of such items, 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 for civil works and goods estimated to cost more than the equivalent of \$200,000, 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 subparagraph (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 Parts A.1, A.5, F.1(a), F.3, F.5(a), G.6, H and 0.1 of 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. The Borrower shall establish, and thereafter maintain until completion of the Project, a Project Coordination Unit with qualified staff in adequate numbers, including a Project Coordinator.

2. The Borrower shall, not later than May 30th in each year, commencing not later than May 30, 1991, furnish to the Association for comments, the proposed financing plan for the education sector and the enrollment growth targets for each level in private and public schools.

3. The Borrower shall: (i) furnish to the Association for comments, by November 1, 1992, the results of its mid-term Project review, including recommendations for improvements, if required; and (ii) thereafter, carry out such recommendations taking into account the comments of the Association.

4. In carrying out Part A of the Project, the Borrower shall:

(a) within two months after the end of each fiscal year until completion of the Project, commencing not later than September 1, 1991, furnish to the Association a report prepared by the Project Coordination Unit, evidencing that expenditures submitted during such fiscal year by each participating upazila were eligible or justified under the Project; and

(b) if the report referred to in paragraph (a) above relating to an upazila is found unsatisfactory by the Association, suspend the participation of such upazila in the Project until corrective measures, satisfactory to the Association, have been taken by such upazila.

5. In carrying out Part A.2 and A.3 of the Project, the Borrower shall prepare a detailed implementation plan, acceptable to the Association, including procurement procedures and model agreements for the construction of the low-cost classrooms.

6. In carrying out Parts A and C of the Project, the Borrower shall, by April 30 in each year, commencing April 30, 1991, furnish to the Association the list of schools to be constructed in the following fiscal year, including confirmation that formalities for site acquisition have been completed for such schools.

7. In carrying out Part A.3 of the Project, the Borrower shall, by November 1, 1992, furnish to the Association for comments, the results and recommendations of the mid-term review of the construction program, and, thereafter, carry out the recommendations taking into account the comments of the Association.

8. In carrying out Part C of the Project, the Borrower shall, not later than December 31, 1990, appoint a deputy director with qualifications acceptable to the Association, to administer the Satellite Schools Pilot Program, such deputy director to be located in the Directorate of Primary Education in the Borrower's Ministry of Education.

9. In carrying out Part F.1 (a) of the Project, the Borrower shall, by April 30 in each year, commencing April 30, 1991, furnish to the Association for comments, a list of the Primary Teachers Training Institutes whose facilities would be upgraded in the next fiscal year, including design proposals, cost estimates and draft bidding documents.

10. In carrying out Part F.1 (c) of the Project, the Borrower shall, by September 1 in each year, commencing September 1, 1991, furnish to the Association a report of the number of new and replacement female teachers recruited during such fiscal year and employed under the Borrower's revenue budget.

11. In carrying out Part F.4 of the Project, the Borrower shall, by June 30, 1991, update, in consultation with the Association, the procedures for the promotion of primary school teachers to include credit for in-service training.

12. The Borrower shall carry out Part G.3 of the Project by December 31, 1990.

13. The Borrower shall carry out Part G.4 of the Project in accordance with an implementation schedule satisfactory to the Association, including a completion date for the redeployment by June 30, 1995.

14. In carrying out Part H.3 of the Project, the Borrower shall:

(a) by June 30, 1993, furnish the recommendations of the study to the Association for comments, including the Borrower's policy recommendations for cost saving measures, including re-use of selected textbooks;

(b) by December 31, 1993, prepare a plan of action for the carrying out of the recommendations, taking the Association's comments into account; and

(c) thereafter promptly carry out such plan of action.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4), (5), (6), (8), (9), and (12) 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 \$11,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the 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 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 in 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 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 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; 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 \$22,000,000 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; (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.

