

CONFORMED COPY

CREDIT NUMBER 3172-MOZ

Development Credit Agreement

(Education Sector Strategic Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 4, 1999

CREDIT NUMBER 3172-MOZ

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 4, 1999, between REPUBLIC OF MOZAMBIQUE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter, dated January 7, 1999, from the Borrower describing a program of actions, objectives and policies designed to strengthen the Borrower's educational sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, which Project forms part of the Program, has requested the Association to assist in the financing of the Project;

(C) the Borrower intends to obtain, inter alia, from the African Development Bank (AfDB), the Department of Foreign International Development (DFID), the Government of Ireland, the Government of the Netherlands, the Islamic Development Bank (IDB), the European Union (EU), the Canadian International Development Agency (CIDA), the Japan International Cooperation Agency (JICA), the Danish International Development Agency (DANIDA), the Finnish International Development Agency (FINNIDA), the Swedish International Development Agency (SIDA), the United Nations Development Program (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Educational, Scientific and Cultural Organization (UNESCO), and the United Nations World Food Program (WFP), (collectively referred to as the Cofinanciers), loans and grants in an aggregate amount approximately equivalent to two hundred two million dollars (US\$202,000,000) during the period 1999-2003, to assist in financing the Program on the terms and conditions set forth in the respective loan and grant

agreements (the Cofinancing Agreements) to be entered into between the Borrower and each of the Cofinanciers; and

WHEREAS the Association has agreed on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower in support of the Program 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 December 2, 1997), 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 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries."

(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) "AWPB" means the annual work program and budget prepared by the Borrower for the purpose of the Project pursuant to paragraph 1 of Schedule 4 to this Agreement;

(b) "Banco de Moçambique" means the Borrower's central bank;

(c) "CCM" means Conselho Consultivo do Ministerio, the Advisory Board of MINED (as hereinafter defined);

(d) "Financial Procedures Manual" means the manual adopted by the Borrower pursuant to Section 6.01 (b) of this Agreement containing detailed arrangements regarding the financial procedures to be used for the purpose of implementation of the Program, including the terms and conditions regarding the management of Grants (as hereinafter defined), and such term includes any schedules to the Financial Procedures Manual;

(e) "Grants" means grants provided under Part A.6 of the Project;

(f) "MINED" means the Borrower's Ministry of Education;

(g) "Performance Indicators" means the indicators referred to in Schedule 6 to this Agreement;

(h) "Project Management Report" means each one of the reports prepared in

accordance with Section 4.02 of this Agreement;

(i) "Program Implementation Manual" means the manual adopted by the Borrower pursuant to Section 6.01 (a) of this Agreement containing, inter alia, work plans, training plans and administrative and operational procedures to be used for the purpose of implementation of the Program, and such term includes any schedules to the Program Implementation Manual; and

(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 fifty one million one hundred thousand Special Drawing Rights (SDR 51,100,000).

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 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 June 30, 2004 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 February 1 and August 1 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 February 1 and August 1, commencing August 1, 2009 and ending February 1, 2039. Each installment to, and including the installment payable on February 1, 2019, 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 judgement 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, educational and technical practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the implementation program set forth in Schedule 4 to this Agreement.

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

Section 3.03. For the purposes of Section 9.07 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 future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain, 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 Account 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 Account 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 Account 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 September 30, 2000, 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 during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit 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, 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 (1) of the General Conditions, the following additional event is specified, namely that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

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 adopted a Program Implementation Manual, in form and substance acceptable to the Association;

(b) the Borrower has adopted a Financial Procedures Manual, in form and substance acceptable to the Association;

(c) the Borrower has prepared and furnished to the Association, a procurement plan for the first two years of the Project; and

(d) for the purposes of Article IV of this Agreement, the Borrower has appointed a financial controller and a deputy financial controller, in accordance with the provisions of Section II of Schedule 3 to this Agreement.

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 of the Banco de Moçambique 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:

Governor
Banco de Moçambique
Departamento de Relações Internacionais
Maputo
Republic of Mozambique

Cable address:

MOBANCO
Maputo

Telex:

6355/7 BMMO

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:

248423 (MCI) or
64145 (MCI)

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 MOZAMBIQUE

By /s/ Marcus Namashualua

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President
Africa

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	20,000,000	100% of foreign expenditures and 90% of local expenditures
(2) Goods	9,500,000	100% of foreign expenditures and 90% of local expenditures
(3) Consultants' services including training	12,400,000	100%
(4) Grants under	3,600,000	95%

Part A.6
of the Project

(5)	Operating costs	3,200,000	90%
(6)	Unallocated	2,400,000	
	TOTAL	51,100,000	
		=====	

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 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; and

(c) the term "operating costs" means incremental expenditures incurred on account of Project implementation, management and monitoring including office consumables (including communication expenses), staff travel and associated subsistence allowances, salaries for incremental contractual and temporary staff, office rental, office supplies and maintenance, and fuel and maintenance for vehicles and equipment, but excluding salaries of the Borrower's civil servants.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for: (a) expenditures prior to the date of this Agreement; and (b) expenditures under Category 4, unless the Grants have been made in accordance with the criteria, procedures and terms and conditions set forth in paragraph 9 of Schedule 4 to this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) works under contracts not exceeding \$200,000 equivalent; (b) goods under contracts not exceeding \$100,000 equivalent; (c) consultants' services (firms) under contracts not exceeding \$100,000 equivalent; (d) consultants' services (individuals) under contracts not exceeding \$50,000 equivalent; and (e) operating costs and training 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: (a) improve the quality and efficiency of general basic and secondary education; (b) increase coverage and equity of education; (c) strengthen the Borrower's institutions in the education sector; and (d) develop strategies aimed at making technical education, vocational training and higher education more relevant and responsive to the needs of the economy.

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: Improving the Quality of Education

1. Teachers' training

(a) Provision of technical advisory services, equipment and logistical assistance for the carrying out of a program of pre-service and in-service training for teachers and development and implementation of distance-learning programs.

(b) Design, construction, and furnishing of five Institutos de Magistério Primário (IMAPs) and one Instituto de Aperfeiçoamento de Professores (IAP) and rehabilitation of continuing education centers (NUFORPES).

2. Pedagogical support for teachers

(a) Rehabilitation of about 840 Zonas de Influencia Pedagogica (ZIPs), including provision of equipment, teaching materials and logistical assistance.

(b) Strengthening of pedagogical supervision and school inspection services through the provision of technical advisory services, equipment and logistical assistance. (c) Carrying out of a training program for ZIP coordinators and head teachers of schools.

3. Curriculum transformation Provision of technical advisory services, equipment and training materials to revise curriculum in order to reflect national values and cultural diversity, and integrate covered materials across grades and subjects.

4. Learning materials

(a) Provision of about 43 million primary school textbooks, teachers' and other learning manuals.

(b) Provision of technical advisory services to develop a strategy for the commercialization of textbooks, and materials development and production.

(c) Preparation and implementation of a new school materials policy, including decentralization of the procurement of text books.

5. Assessment and Examination Provision of technical advisory services and equipment for the development of systems to conduct examinations and educational assessments.

6. School Quality Improvement Grant Establishment and operation of a school quality improvement fund, including provisions of grants to selected primary schools.

Part B: Access to Education

1. Construction and Rehabilitation

(a) Construction or rehabilitation of about 12000 primary school classrooms, including latrines and water supply network, and establishment of a maintenance program related thereto.

(b) Construction of about 372 staff housing units for primary schools.

(c) Construction of five new secondary schools and rehabilitation of the existing two secondary schools and 12 dormitories.

(d) Provision of technical advisory services for the design and supervision of the activities carried out under (a), (b) and (c) above.

2. Girls Education Initiative

(a) Provision of technical advisory services, equipment and logistical assistance for the establishment of scholarships for girls, design incentives for girls to stay longer at school, and organization of awards.

(b) Construction or rehabilitation of boarding facilities for girl students in secondary schools.

(c) Provision of technical advisory services and logistical assistance: (i) for the carrying out of social awareness campaigns aimed at reducing the workload of girls students on household activities; and (ii) strengthening of the capacity of MINED's central and provincial coordination of gender initiatives.

(d) Carrying out of gender sensitive pilot initiatives in non-formal education.

(e) Carrying out of a district school mapping exercise to identify areas with marked gender disparities.

3. Nonformal, Special, and Non-Public Education

(a) Design and promotion of the establishment of non-formal education initiatives.

(b) Development of a strategy for providing education to children with special needs, and development of training programs and teaching tools for special education teachers.

Part C: Institutional Strengthening and Capacity Building

1. Improvement of Delivery services

(a) Design an organizational structure for coordinating implementation of the Program within MINED, including the revision of the legal framework related thereto.

(b) Design and implementation of a planning, information, communication, monitoring and evaluation systems.

(c) Review of the teachers' career plan and the incentive structure for teachers and technical staff at all levels.

2. Planning and Policy

Provision of technical advisory services and equipment for policy development, planning and monitoring, organization of focus groups with stakeholders, and design and implementation of public campaigns.

3. Financial and Procurement Management

Establishment of financial management systems at all levels and provision of training in the area of financial management and establishment of a computerized record-keeping system.

4. Monitoring and Evaluation

Provision of technical advisory services and carrying out of studies to enable MINED to gather and analyze data to monitor and evaluate different educational activities.

Part D: Technical Education, Vocational Training and Higher Education

Carrying out of studies to develop strategies and investment programs for technical education, vocational training, and higher education systems.

* * *

The Project is expected to be completed by December 31, 2003.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

1. Goods and works 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 and September 1997, subject to the modifications set forth in paragraph 2 of this Part A (the Guidelines); and (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" 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 of this Section, goods and works 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 and works 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 and works shall be grouped in bid packages estimated to cost \$100,000 and \$200,000, equivalent or more respectively each.

(b) Preference for domestically manufactured goods and domestic contractors

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 Republic of Mozambique and works to be carried out by domestic contractors.

(c) Notification and Advertising The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. Limited International Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, and goods, which the Association agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

Goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$3,000,000 equivalent and works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$10,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. International Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$250,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. National Shopping

Goods estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$250,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

5. Procurement from IAPSO

Individual units of office equipment may be procured from the Inter-Agency Procurement Services office of the UNDP in accordance with the provisions of paragraph 3.9 of the Guidelines.

6. Community Participation

Goods and works required for Part B of the Project shall be procured in

accordance with procedures acceptable to the Association.

7. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$10,000,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or 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 and works 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

(a) With respect to each contract for works and goods estimated to cost the equivalent of \$200,000 and \$100,000 or more, respectively, and the first five contracts for each province, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods estimated to cost the equivalent of \$20,000 or more, the following procedures shall apply:

(i) prior to the selection of any supplier under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under direct contracting or shopping procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2 (f), 2 (g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 (the Consultant Guidelines), subject to the modifications thereto set forth in paragraph 2 of this Part A and the following provisions of Section II of this Schedule.

2. In paragraph 1.10 of the Consultant Guidelines, the reference to "Bank Member Countries" and "Member Country" shall be deemed to be references respectively "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services for construction supervision under Part B of the Project and for training under Part A of the Project, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Under a Fixed Budget

Services for administrative training and auditing estimated to cost less than \$100,000 may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Single Source Selection

Services for textbook publishing and marketing which are estimated to cost less than \$50,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. The Borrower shall implement the Project in accordance with the Program Implementation Manual and the Financial Procedures Manual and except as the Association shall otherwise agree, the Borrower shall not amend or waive any provision thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.
2. (a) The Borrower shall, not later than May 31 of each year, carry out jointly with the Association a comprehensive annual Project implementation review aimed at: (i) documenting progress toward objectives; (ii) identifying and resolving obstacles to Project implementation; and (iii) adjusting, in agreement with the Association, targets and corresponding programs to reflect progress achieved in the implementation of the Program in prior years and ensuring responsiveness to changes to effectively achieve the objectives of the Program.

(b) The annual review referred to in (a) above shall be conducted in accordance with Performance Indicators referred to in Schedule 6 to this Agreement.
3. The Borrower shall, not later than October 1 of each year, prepare and furnish to the Association an annual work program and budget (AWPB) consistent with the Program including an assessment of the fiscal feasibility of the Project. The Borrower and the Association shall discuss each AWPB at the joint annual review meeting and, after incorporating the comments of the Association, the Borrower shall, not later than January 1, approve the AWPB.
4. The Borrower shall furnish to the Association at the end of the first and third quarters of each year a progress report including information on agreed upon Performance Indicators based on data from the monitoring system. The report shall include, inter alia: (a) a summary statement on the status of execution of each activity under the Project; and (b) a table showing compliance with project covenants and progress in implementing agreed policy objectives.
5. The Borrower shall:
 - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Performance Indicators referred to in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;
 - (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about May 31, 2001, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and
 - (c) review with the Association, by September 30, 2001, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.
6. The Borrower shall, not later than December 31, 1999: (a) prepare and furnish to the Association a plan for the interaction of communities and schools; (b) carry out and complete a census of ZIPs and prepare a plan for expansion of their activities; (c) prepare and furnish to the Association an action plan for the improvement of internal efficiency (dropout and repetition); and (d) prepare and furnish to the Association a specific plan and procedures for the management of direct grants to schools.
7. The Borrower shall, not later than June 30, 2000, prepare and furnish to the Association a policy strategy and work program for privatization of text-book publication.

8. The Borrower shall, not later than June 30, 2000: (a) carry out a study on improving time on tasks in schools; (b) furnish to the Association, for review and comment, the findings and recommendations of said study; and (c) take all necessary actions to carry out specific measures emanating from such recommendations, taking into account the Associations comments thereon.

9. Grants Under Part A.6

(a) Without limitation upon the provision of paragraph 1 (b) of this Schedule, and except as the Association shall, in the carrying out of Part A.6 of the Project, apply the rules, procedures and eligibility criteria for grants, specified in the Financial Procedures Manual and shall not assign, amend, abrogate or waive any provision thereof which, in the opinion of the Association, will materially or adversely affect the implementation of Part A.6 of the Project.

(b) For the purpose of evaluating and approving a Grant, MINED shall establish a Financial Management Committee, with terms of reference acceptable to the Association. The Financial Management Committee shall make the Grant available to the schools in accordance with the guidelines and criteria set forth in the Financial Procedures Manual and shall, inter alia, ensure that:

- (i) a detailed proposal has been submitted;
- (ii) the proposal is inexpensive; and
- (iii) MINED shall have the right to obtain from the beneficiary of the grants all such information as MINED or the Association shall reasonably request pertaining to the utilization of the Grant.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) 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 10,000,000.

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

SCHEDULE 6

Performance Indicators Outcome Indicators

1. Increased proportion of students passing key primary and lower secondary examinations:

(i) Grade 5 from 54% to 75%;

(ii) Grade 7 from 37% to 60%; and

(iii) Grade 10 from 33% to 55%;

2. A reduction in the average repetition and dropout rates by half for primary and lower secondary education.

3. An increase in gross enrollment rates: (i) Grades 1-5 from 67% to 86%; and (ii) Grades 6-7 from 15% to 30%.

4. An increase in enrolment in the schools and districts where classrooms are built, equivalent to about 75% of the new capacity created.

5. Implementation of at least 80% of the work program for each year measured by the physical targets and the budget spent for program and routine activities.

6. Achievement of the agreed rate of decentralization of management to the provinces and districts as defined in the Schedule to the Program Implantation Manual (PIM). Program Performance Monitoring Program performance monitoring shall be carried out using a Program Monitoring Reporting (PMR) system which will link expenditures, outputs and schedule of implementation, including procurement, for each component at quarterly intervals.

