

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 3904 PAK

Development Credit Agreement

(Public Sector Capacity Building Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 16, 2004

Public Disclosure Authorized

CREDIT NUMBER 3904 PAK

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 16, 2004, between ISLAMIC REPUBLIC OF PAKISTAN acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999) 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) "BPS" means the Borrower's Basic Pay Scale for government officers and workers;

(b) "CSR Agenda" means the Borrower's civil service reform agenda described in the Borrower's CSR Agenda document dated January 7, 2004, furnished to the Association, as the same may be amended from time to time;

(c) "ED" means the Establishment Division of the Borrower's Cabinet Secretariat;

(d) "EDP" means the Executive Development Program to be carried out under Part A (i)(a) of the Project;

(e) “ED Special Account” means the special deposit account to be opened in the name of ED pursuant to Section 2.02 (b) of this Agreement;

(f) “EIP” means an Entity Improvement Plan, as the same may be amended from time to time pursuant to the provisions of paragraph 4 of Schedule 4 to this Agreement;

(g) “FD” means the Finance Division of MoF as hereinafter defined;

(h) “FD Special Account” means the special deposit account to be opened in the name of FD pursuant to Section 2.02 (b) of this Agreement;

(i) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(j) “FY” means the fiscal year of the Borrower commencing July 1 and ending June 30 of each year;

(k) “MoF” means the Borrower’s Ministry of Finance;

(l) “NEPRA” means the Borrower’s National Electric Power Regulatory Authority established and operating pursuant to the provisions of the Borrower’s Regulation of Generation, Transmission and Distribution of Electric Power Act (No. XL of 1998);

(m) “NEPRA Special Account” means the special deposit account to be opened in the name of NEPRA pursuant to Section 2.02 (b) of this Agreement;

(n) “NSCC” means the National Steering and Coordination Committee of the Borrower established pursuant to the Borrower’s Notification No. F.5(2)/2003 – Policy I dated February 7, 2004, for the purposes of overseeing the carrying out of the Project;

(o) “OGRA” means the Borrower’s Oil and Gas Regulatory Authority established and operating pursuant to the provisions of the Borrower’s Oil and Gas Regulatory Authority Ordinance (No. XVII of 2002);

(p) “OGRA Special Account” means the special deposit account to be opened in the name of OGRA pursuant to Section 2.02 (b) of this Agreement;

(q) “Participating Agencies” means collectively FD, ED, NEPRA, OGRA, P&DD, PTA and any other federal ministry/division, regulatory agency or provincial department participating in the carrying out of the Project or benefiting under it; and “Participating Agency” means each and any such agency individually;

(r) "PCU" means the Project Coordination Unit established within FD pursuant to Borrower's Notification No. F 6/8/2004 – Policy I dated March 3, 2004, for the purposes of facilitating and coordinating the carrying out of the Project;

(s) "P&DD" means the Planning and Development Division of the Borrower's Ministry of Planning;

(t) "P&DD Special Account" means the special deposit account to be opened in the name of P&DD pursuant to Section 2.02 (b) of this Agreement;

(u) "PDev" means the Professional Development Program to be carried out under Part A (i)(b) or Part A (ii) of the Project;

(v) "PTA" means the Pakistan Telecommunication Authority established and operating pursuant to the provisions of the Borrower's Telecommunication Reorganization Act (No. XVII of 1996);

(w) "PTA Special Account" means the special deposit account to be opened in the name of PTA pursuant to Section 2.02 (b) of this Agreement; and

(x) "Special Accounts" means collectively the ED Special Account, the FD Special Account, the NEPRA Special Account, the OGRA Special Account, the P&DD Special Account and the PTA Special Account; and "Special Account" means each and any such account individually.

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 thirty-six million nine hundred thousand Special Drawing Rights (SDR 36,900,000).

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 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 six separate special deposit accounts in the National Bank of Pakistan, in the names of: (i) ED (the ED Special Account); (ii) FD (the FD Special Account); (iii) NEPRA (the NEPRA Special Account); (iv) OGRA (the OGRA Special Account); (v) P&DD (the P&DD Special Account); and (vi) PTA (the PTA Special Account), all on

terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, each of the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be November 30, 2009, 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 March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15 commencing September 15, 2014 and ending March 15, 2039. Each installment to and including the installment payable on March 15, 2024, shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

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

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

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

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through the Participating Agencies with due diligence and efficiency and in conformity with appropriate administrative and financial 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 9.06 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 designed to ensure the sustainability of the Project; and

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

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) The Borrower shall maintain, and shall cause NEPRA, OGRA and PTA to maintain, a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, 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 (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may 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) retain, until at least one year after the Association has received the audit report for, or covering, 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;
- (ii) enable the Association's representatives to examine such records; and

- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 5 (b) of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first Financial Management Report shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Management Report shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

Section 4.03. The Borrower shall annually review with the Association the CSR Agenda and progress in carrying it out, and, thereafter, take all measures required to ensure its efficient future implementation and completion and achievement of its objectives, taking into account the Association's views on the matter.

ARTICLE V

Termination

Section 5.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Secretary to the Government of Pakistan, Economic Affairs Division, Ministry of Economic Affairs and Statistics, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer in that Division is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Economic Affairs Division
Ministry of Economic Affairs and Statistics
Islamabad, Pakistan

Cable address:	Telex:	Facsimile:
ECONOMIC Islamabad	ECDIV-05-634	(9251) 9205971 (9251) 9210734

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Islamabad, Pakistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Waqar Masood Khan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ John W. Wall

Country Director,
Pakistan

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works:		90%
(a) FD	1,670,000	
(b) ED	1,880,000	
(2) Goods:		100% of foreign expenditures; 100% of local expenditures (ex-factory cost); and 80% of local expenditures for other items procured locally
(a) FD	1,690,000	
(b) ED	500,000	
(c) P&DD	340,000	
(d) NEPRA	20,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(3) Consultants' Services		88% of expenditures for foreign firms or individuals; and 98% of expenditures for local firms or individuals
(a) FD	2,980,000	
(b) ED	900,000	
(c) NEPRA	520,000	
(d) OGRA	910,000	
(e) P&DD	810,000	
(f) PTA	670,000	
(4) Training and Scholarships:		100%
(a) FD	2,640,000	
(b) ED	10,830,000	
(c) NEPRA	760,000	
(d) OGRA	340,000	
(e) P&DD	1,880,000	
(f) PTA	350,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(5) Incremental Administrative and Operating Costs:		80% for FY 2004 and FY 2005; 60% for FY 2006 and FY 2007; and 40% thereafter
(a) FD	320,000	
(b) ED	20,000	
(c) P&DD	290,000	
(6) Unallocated	6,580,000	
TOTAL	36,900,000	
	=====	

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 “foreign firms or individuals” means firms that are registered or incorporated in the territory, or, as the case may be, individuals who are nationals, of any country other than that of the Borrower;

(d) the term “local firms or individuals” means firms that are registered or incorporated in the territory, or, as the case may be, individuals who are nationals, of the Borrower; and

(e) the term “incremental administrative and operating costs” means the salaries and allowances and other emoluments of FD, ED and P&DD staff, other than officials of the Borrower’s civil service, appointed to posts created after August 31, 2003, for purposes of carrying out the Project, the O&M and/or rental costs of vehicles, equipment and office premises acquired by FD, ED and P&DD under and/or used in the

carrying out of the Project, and the costs of advertising in the media for bids and other purposes of the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 3,700,000, may be made in respect of Categories (1), (2), (3), (4) and (5) on account of payments made for expenditures before that date but after August 31, 2003.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$25,000 equivalent per contract; (b) works costing less than \$200,000 equivalent per contract; (c) services of individual consultants costing less than \$50,000 equivalent per contract; (d) services of consulting firms under contracts costing less than \$100,000 equivalent per contract; (e) scholarships costing less than \$250,000 equivalent per contract; (f) other training costing less than \$50,000 equivalent per contract; and (g) incremental administrative and operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in enhancing government capacity for carrying out the on-going economic reform program, through interventions in three strategic areas, namely: (i) broad-based professional development of public officials; (ii) capacity building in key federal ministries/divisions and provincial departments which are in the forefront in designing, implementing and monitoring economic and human resource management policy reforms; and (iii) strengthening of regulatory agencies.

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: Professional Development

Carrying out of a civil service professional development program to:

- (i) train federal and provincial officers through: (a) an Executive Development Program (EDP) for officers in BPS 20 and 21; and (b) a Professional Development Program (PDev) for officers in BPS 17-19;
- (ii) train officers of NEPRA, OGRA and PTA through a separate PDev for them;
- (iii) strengthen in-country training facilities through: (a) the provision of infrastructure, equipment and technical assistance; (b) the development of human resources; and (c) the establishment of twinning arrangements with international institutions; and
- (iv) improve the recruitment process, particularly in the areas of entry level examinations, management of promotions and carrying out of needs analyses.

Part B: Entity Improvement

Carrying out of Entity Improvement Plans (EIPs) to strengthen:

- (i) the economic policy making and management capacity of selected federal ministries/divisions and provincial departments; and

(ii) the regulatory capacity of NEPRA, OGRA and PTA;
all through the provision of infrastructure, equipment and technical assistance.

* * *

The Project is expected to be completed by May 31, 2009.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works will be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

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.

Preference for Domestically Manufactured Goods

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost \$25,000 equivalent or more but less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(c) The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of subparagraph (a) of this paragraph 1:

(i) Grouping of Contracts

To the extent practicable, contracts shall be grouped in bid packages to attract national bidders.

(ii) Improvement of Bidding Procedures

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section 1 of the Guidelines:

(aa) invitations to bid shall be advertised in at least one national newspaper with a wide circulation, at least 30 days prior to the deadline for the submission of bids;

(bb) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

(cc) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process;

(dd) bidding shall not be restricted to pre-registered firms;

(ee) qualification criteria shall be stated in the bidding documents;

(ff) bids shall be opened in public, immediately after the deadline for submission of bids;

(gg) bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;

(hh) before rejecting all bids and soliciting new bids, the Association's prior concurrence shall be obtained;

(ii) bids shall be solicited and contracts shall be awarded on the basis of unit prices;

(jj) contracts shall not be awarded on the basis of nationally negotiated rates;

(kk) contracts shall be awarded to the lowest evaluated and qualified bidders; and

(II) post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders.

2. International or National Shopping

Goods estimated to cost less than \$25,000 equivalent per contract may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan of each implementing agency for its part or parts of 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. Such plan shall be updated every 6 months during the execution of the Project, and each such updating shall be furnished to the Association for its review and approval. Procurement of all goods and works shall be undertaken in accordance with such procurement plan (as updated from time to time) as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (a) each contract for goods awarded in accordance with the provisions of paragraph 1 of Part B of this Section I; (b) the first contract for goods awarded in accordance with the provisions of paragraph 1 of Part C of this Section I by each implementing agency irrespective of value, and each subsequent such contract awarded by each such agency estimated to cost \$200,000 equivalent or more; and (c) the first contract for works awarded in accordance with the provisions of paragraph 1 of Part C of this Section I by each implementing agency irrespective of value, and each subsequent such contract awarded by each such agency estimated to cost \$200,000 equivalent or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and 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, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Schedule.

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, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision 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, estimated to cost less than \$500,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.4 of the Consultant Guidelines.

3. Single Source Selection

Services which are estimated to cost less than \$100,000 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.

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

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished by each implementing agency to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every 6 months during the execution of the Project, and each such updating shall be furnished to the Association for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Association.

2. Prior Review

With respect to the first contract awarded each to a consulting firm and an individual by each implementing agency irrespective of value, and each subsequent contract awarded by each such agency and estimated to cost \$100,000 equivalent or more in the case of a consulting firm, or \$50,000 equivalent or more in the case of an individual, the procedures set forth in paragraphs 1, 2, 3 and 5 of Appendix 1 to the Consultant 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 Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. The Borrower shall, throughout Project implementation, maintain NSCC and PCU, each with terms of reference, composition and resources satisfactory to the Association.
2. The Borrower shall ensure that:
 - (a) candidates for EDP and PDev will be required to be: (i) eligible under criteria, (ii) selected in accordance with procedures, (iii) bonded in a manner, and (iv) placed in pre-selected courses at pre-selected universities, all satisfactory to the Association; and
 - (b) EDP and PDev and progress in carrying them out will be reviewed annually with the Association, and, thereafter, all such measures will be taken as are required to ensure their efficient future implementation and completion and achievement of their objectives, taking into account the Association's views on the matter.
3. The Borrower undertakes that, unless the Association shall otherwise agree, no EIP proposed by a Participating Agency will be included under Part B of Schedule 2 to this Agreement, unless such EIP:
 - (a) establishes that the activities to be carried out under it are consistent with the objectives of the Project, and with the overall strategic vision/plan of the Participating Agency concerned;
 - (b) sets out with respect to such activities: (i) timelines; (ii) progress monitoring indicators; (iii) full costs; and (iv) a program for the first year ready for implementation; and
 - (c) has been: (i) prepared in consultation with the PCU; (ii) reviewed by the Association; and (iii) approved by NSCC.
4. The Borrower shall ensure that all EIPs and progress in carrying them out will be reviewed annually with the Association, and, thereafter, all such measures will be taken as are required to ensure their efficient future implementation and completion and achievement of their objectives, taking into account the Association's views on the matter and as are approved by NSCC.

5. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with a program agreed with the Association not later than September 30, 2004, and indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association: (i) beginning December 31, 2004, quarterly reports; and (ii) by September 30, 2006, a mid-term report, all 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 reports 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 December 31, 2006, or such later date as the Association shall request, the mid-term report referred to in paragraph (b)(ii) 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 reports and the Association's views on the matter.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means, with respect to the FD Special Account, Categories (1)(a), (2)(a), (3)(a), (4)(a) and (5)(a), with respect to the ED Special Account, Categories (1)(b), (2)(b), (3)(b), (4)(b) and (5)(b), with respect to the NEPRA Special Account, Categories 2(d), (3)(c) and (4)(c), with respect to the OGRA Special Account, Categories (3)(d) and (4)(d), with respect to the P&DD Special Account, Categories (2)(c), (3)(e), (4)(e) and (5)(c), and with respect to the PTA Special Account, Categories (3)(f) and (4)(f), all 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 respective eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means:

- (i) with respect to the FD Special Account, an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the FD Special Account pursuant to paragraph 3(a) of this Schedule;
- (ii) with respect to the ED Special Account, an amount equivalent to \$2,000,000 to be withdrawn from the Credit Account and deposited into the ED Special Account pursuant to paragraph 3(a) of this Schedule;
- (iii) with respect to the NEPRA Special Account, an amount equivalent to \$140,000 to be withdrawn from the Credit Account and deposited into the NEPRA Special Account pursuant to paragraph 3(a) of this Schedule;
- (iv) with respect to the OGRA Special Account, an amount equivalent to \$100,000 to be withdrawn from the Credit Account and deposited into the OGRA Special Account pursuant to paragraph 3(a) of this Schedule;

- (v) with respect to the P&DD Special Account, an amount equivalent to \$300,000 to be withdrawn from the Credit Account and deposited into the P&DD Special Account pursuant to paragraph 3(a) of this Schedule; and
 - (vi) with respect to the PTA Special Account, an amount equivalent to \$100,000 to be withdrawn from the Credit Account and deposited into the PTA Special Account pursuant to paragraph 3(a) of this Schedule.
2. Payments out of the respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective 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 respective 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 respective Special Account such amount or amounts as the Borrower shall have requested.
 - (b)
 - (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective Special Account at such intervals as the Association shall specify.
 - (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special 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 respective 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 respective 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 any 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 Accounts;

(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 respective 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 any 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 respective 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 any 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 any 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 Accounts.

(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.