

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7271-SK

Loan Agreement

(Human Capital Technical Assistance Project)

between

SLOVAK REPUBLIC

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated April 1, 2005

Public Disclosure Authorized



LOAN NUMBER 7271-SK

LOAN AGREEMENT

AGREEMENT, dated April 1, 2005, between the SLOVAK REPUBLIC (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Loan 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 Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank dated September 1, 1999 (as amended through May 1, 2004) with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:

"Section 5.08. Treatment of Taxes

Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower or the Guarantor on the goods or services to be financed under the Loan, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Bank's policy of requiring economy and efficiency in the use of the proceeds of its loans. To that end, if the Bank shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Loan is excessive or otherwise unreasonable, the Bank may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item

in the Loan Agreement as required to be consistent with such policy of the Bank.”

(b) Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

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

(a) “Category” means a category of items to be financed out of the proceeds of the Loan as set forth in the table in paragraph 1 of Schedule 1 to this Agreement, and the term “Categories” means more than one (1) Category collectively;

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

(c) “Fiscal Year” means the twelve-month period corresponding to any of the Borrower’s fiscal years, which period commences on January 1 and ends on December 31 in each calendar year;

(d) “Ministry of Education” and “MOE” mean the Borrower’s Ministry of Education which has been established and is functioning pursuant to the provisions of the Borrower’s Law No. 575/2001 dated December 12, 2001, as the same may be amended from time to time, or any successor thereto;

(e) “Ministry of Labor, Social Affairs and Family” and “MoLSAF” mean the Borrower’s Ministry of Labor, Social Affairs and Family which has been established and is functioning pursuant to the provisions of the Borrower’s Law No. 575/2001 dated December 12, 2001, as the same may be amended from time to time, or any successor thereto;

(f) “Monitoring and Evaluation Indicators” means the agreed performance indicators set forth in a letter of even date herewith to be utilized by the Borrower under the Project to measure the progress in the implementation of the Project and the degree to which the objectives thereof are being achieved;

(g) “Procurement Plan” means the Borrower’s procurement plan, dated November 25, 2004, covering the initial eighteen (18) month period of Project implementation, as the same shall be updated from time to time in accordance with the

provisions of Section 3.02 to this Agreement, to cover succeeding eighteen (18) month periods (or longer) of Project implementation;

(h) "Project Coordination Unit" or "PCU" means the Project Coordination Unit established within the MoLSAF under the Social Benefits Reform Administration Project (Loan Agreement No. 7098-SK), and referred to in paragraph 3, Section I of Schedule 4 to this Agreement; and

(i) "Steering Committee" means the Steering Committee to be established pursuant to the provisions of paragraph 2, Section I of Schedule 4 to this Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to five million Euro (EUR 5,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures 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 Loan and in respect of the front-end fee referred to in Section 2.04 of this Agreement.

Section 2.03. The Closing Date shall be June 30, 2008 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one percent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one percent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on June 15 and December 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in full on June 15, 2010.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project through MOE and MoLSAF with due diligence and efficiency and in conformity with appropriate administrative, financial 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 Bank 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. (a) Except as the Bank shall otherwise agree, procurement of the goods and services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Bank and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank's approval.

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 Bank, and furnish to the Bank 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 Bank, a plan designed to ensure the continued achievement of the Project's objectives; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, 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 Bank) audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank 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 Bank): (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 Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

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

- (i) retain, until at least one year after the Bank has received the audit report for, or covering, the Fiscal Year in which the last

withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (ii) enable the Bank'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 Bank), 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 1 of Section II of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, 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 Loan, 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 FMR shall be furnished to the Bank not later than forty-five (45) days after the end of the first calendar semester 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 semester; thereafter, each FMR shall be furnished to the Bank not later than forty-five (45) days after each subsequent calendar semester, and shall cover such semester.

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 Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance
of the Slovak Republic
Ul. Stefanovicova 5
81782 Bratislava
P.O. Box 82
Slovak Republic

Telex

Facsimile:

21868

(421-2) 5249-8065

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI) or
64145 (MCI)

(1-202) 477-6391

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

SLOVAK REPUBLIC

By /s/ Rastislav Kacer

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Roger Grawe

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Euro)</u>	<u>% of Expenditures to be financed</u>
(1) Goods	250,000	100%
(2) Consultants' services, training and workshops	4,700,000	100%
(3) Operating Costs	25,000	100%
(4) Front-end fee	<u>25,000</u>	Amount due under Section 2.04 of this Agreement
TOTAL	<u>5,000,000</u>	

2. For the purposes of this Schedule:

(a) the term "training and workshops" means expenditures incurred to finance the cost of: (i) the training, study tours, internships, scholarships, capacity building grants and research grants aimed at the development and strengthening of the skills and knowledge of civil servants at the MoLSAF and MOE and policy employees in other organizations involved in Project implementation, in accordance with the procedures and criteria set forth in the training manual acceptable to the Bank; and (ii) the organization of seminars, conferences and other events for the MoLSAF and MOE and other organizations involved in Project implementation; and

(b) the term "Operating Costs" means expenditures incurred to finance the minor costs of Project administration.

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 EUR 200,000 may be made in respect of Categories (2) and (3) on account of payments made for expenditures before that date but after December 1, 2004.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (i) goods costing less than EUR 100,000 equivalent per contract; (ii) for services of individual consultants costing less than EUR 50,000 equivalent per contract; (iii) for services of consulting firms under contracts costing less than EUR 100,000 equivalent per contract; and (iv) training and workshops and Operating Costs, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in modernizing its systems of employment, education and social cohesion by developing an effective policy infrastructure to implement, manage and evaluate employment, education and social cohesion reforms in the MoLSAF and the MOE.

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

Part A: Creation of a Policy Capacity Framework

Establishment of a framework suitable to permit an effective coordination of the different Parts and activities to be carried out under the Project in the two Ministries and associated institutions.

Part A.1: Inter-Institutional assessment

Assessment of the current inter-institutional arrangements and information flows for policy making and implementation among the two participating Ministries and their associated institutions, and development of a consistent and sustainable strategy to increase technical capacity for design, implementation and monitoring of the reforms, including recommendations for the MOE to support the implementation of the model quality management approach (the Common Assessment Framework 2002), through the provision of consultants' services.

Part A.2: Project Coordination and Sustainability

Strengthening of the Project coordination mechanisms and the Project implementation structure, including those to ensure the effectiveness of policy coordination and dissemination mechanisms among the two participating Ministries, associated institutions and regional level administration offices, and support to the strategies to mainstream and ensure the sustainability of reforms, through the provision of consultants' services.

Part B: Investment In Human Resources

Improvement in the quality of human resources available for policy making and implementation in the two participating Ministries and associated institutions, through capacity building of the existing staff supplemented by strategic staff reallocation and targeted recruitment, to analyze policy options and the impact of ongoing reforms.

Part B.1: Improvement of Human Resource Management Systems

Development of the institutional capacity of the MoLSAF and MOE to build a quality human resource management system, including the appropriate setting of standards and the improvement of the efficiency of the human resource management, through the provision of consultants' services to analyze the current human resource management situation in the MoLSAF and MoE and the identification of specific strengths and weaknesses in each Ministry, with a focus on: (i) the development of training and staff reallocation plans, proposals and detailed recommendations for the improvement of the human resource management systems; (ii) the elaboration of detailed proposals for the development and training of human resource managers and staff; (iii) improved information systems; (iv) the development of best practice models and human resource manuals; (v) needs assessment training and other appropriate training; (vi) the definition of performance-based assessment criteria suitable for each Ministry; and (vii) proposals for detailed criteria for performance-based evaluation of employees and to mainstream pilots throughout the system at local as well as at national level.

Part B.2: Staff Training And Development

Identification of training and development needs and opportunities for individuals who will work on policy issues within the MoLSAF and the MOE and implementation of training plans aimed at: (i) creating capacity through training, internships, scholarships, capacity building grants and research grants to develop and strengthen skills and knowledge of civil servants in the MoLSAF, MoE, associated institutions involved in social and educational policy-making and, where feasible, regional and municipal governments and subnational offices of both Ministries; (ii) enhancing policy capacity through training and exposure to other policy environments, including the building of networks with bilateral and multilateral partners and the acquisition of know-how from leading European Union states through short-term training and "stages" abroad, seminars and conferences, joint research projects, and peer reviews; and (iii) creating instruments to attract new researchers and policy analysts to enter the field through scholarship and research grants, all through the provision of consultants' services, entailing: (A) the analysis of local and international specialized research and training institutions and think-tanks; (B) the identification of institutions with working places able to provide follow-up training, of policy employees ready and suitable to acquire skills in these working places, and of suitable topics and suggestions

for workshops; (C) the development of training plans for policy employees suitable for the needs of both Ministries and other policy employees in the social sphere and of informal mechanisms for policy discussion; (D) the development of informal mechanisms for policy discussion, making use of expertise outside the relevant Ministries; and (E) the implementation of all training and development activities identified in the aforementioned training and development plans.

Part C: Building And Upgrading Institutional Capacity

Creation and implementation of an integrated policy management system to structure and guide the various steps in the policy cycle in both the two participating Ministries and in the complementary network of institutions, through the development of the capacity to produce high quality policy outputs in priority areas, thereby ensuring the availability of improved statistical and monitoring information for policy makers in the field of employment, education and social cohesion.

Part C.1: Policy Formulation

Development of effective mechanisms to improve policy making, including the development of important national social and educational action plans and reports, through the provision of training and consultants' services in cooperation with the MoLSAF and the MoE: (i) to analyze existing procedures for the preparation of policy papers in each Ministry; (ii) to prepare manuals to improve the quality of the drafting process for policy papers and provide training to policy employees; (iii) to refine and revise the documentation on the basis of the clients' feedback; and (iv) to make recommendations to optimize existing procedures for drafting policy papers.

Part C.2: Improve Information Base For Social Policy Formulation, Monitoring and Evaluation

Improvement of the quality and quantity of internationally comparable data available to policy makers in both MoLSAF and MoE and to develop social policy monitoring indicators, through: (a) the carrying out of a review of existing state of libraries and documentation centres; (b) the carrying out of a review of the nature and availability of relevant statistical data, with a view to propose a plan to improve the timely supply of the data and other information for needed for the formulation, budgeting, monitoring and evaluation of social and education sectors policies: (i) to recommend the necessary steps to improve the quality of the available data by increasing the coverage of the vulnerable groups and broaden the coverage of non-income dimensions of poverty; (ii) to revise and extend the list of indicators and benchmarks designed for policies in the social and educational sectors; (iii) to analyze existing statistical data and make recommendations about what specific data should be provided for policy makers in the social and educational sectors; (iv) to recommend appropriate

relevant sources for social and education sector policy makers, including books, periodicals, databases and digital sources, indicating their costs; (v) to recommend cost-effective improvements to the information-documentation centres for policy making in both respective ministries; and (vi) to identify data training needs of relevant employees and sources of appropriate training; and (c) the implementation of the recommendations identified in the aforementioned reviews.

* * *

The Project is expected to be completed by December 31, 2007.

SCHEDULE 3

Procurement and Consultants' Services

Section I. General

A. All goods and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. Shopping. Goods estimated to cost less than EUR 60,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

2. Direct Contracting. Goods which the Bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than EUR 200,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Quality-based Selection. Services for assignments which the Bank agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Under a Fixed Budget. Services for assignments which the Bank agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Least-cost Selection. Services for assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

4. Selection Based on Consultants' Qualifications. Services estimated to cost less than EUR 100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

5. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

6. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis subject to prior approval of the Bank.

Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. If the Procurement Plan provides for prior review of contracts for the employment of individual consultants, the record of justification for such contracts, referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines, shall be subject to prior approval of the Bank. All other contracts shall be subject to Post Review by the Bank.

SCHEDULE 4

Implementation Program

Section I: Organizational Arrangements

1. MoLSAF and MOE

(a) Overall responsibility for the Project implementation shall be vested with the MoLSAF, which for such purposes shall appoint, not later than May 1, 2005, a Project Director with qualifications and under terms of reference satisfactory to the Bank. Moreover, the MOE shall appoint, not later than May 1, 2005, a Project Coordinator with qualifications and under terms of reference satisfactory to the Bank, to work with the Project Director. In order to ensure adequate coordination of the Project activities, the Project Director and the Project Coordinator shall: (i) work closely with the State Secretary of the MoLSAF and the Head of Administration of the MOE; and (ii) meet on a regular basis, but not less than once per month. Without limitation upon the provisions of the following paragraphs (b) and (c), both the Project Director and the Project Coordinator shall be responsible for all technical background work for the procurement process, including preparation of terms of reference and technical specifications, as well as development and update of the Project implementation plan.

(b) The Project Director shall report directly to the State Secretary of the MoLSAF and shall have dual responsibilities for: (i) the implementation and overall coordination of the Project, including all required Project reporting; and (ii) the technical oversight of the Project activities related to MoLSAF. In addition, the Project Director shall function as the liaison between the Bank and the MoLSAF and other associated institutions subordinated to the MoLSAF.

(c) The Project Coordinator shall report directly to the Head of Administration of the MOE and shall be responsible for technical oversight of the Project activities related to MOE.

2. Steering Committee

With a view to provide policy oversight, coordination and direction for the Project as a whole, the Borrower shall establish not later than May 1, 2005, and thereafter maintain throughout Project implementation, a Steering Committee comprising representatives from the MoLSAF and the MOE.

3. The Project Coordination Unit

The Borrower, through the MoLSAF, shall ensure that adequate arrangements satisfactory to the Bank are maintained throughout Project implementation with the PCU to carry out the fiduciary functions necessary under the Project.

Section II: Progress Monitoring and Evaluation and Mid-Term Review

1. Semiannual Progress Reports

Without limitation upon the provisions of Section 9.07 of the General Conditions, the Borrower, through the MoLSAF, shall, commencing on the day falling ninety (90) days after the Effectiveness Date, and thereafter, not later than January 15 and July 15 in each calendar year and until Project completion, prepare and furnish to the Bank a semiannual progress report, of such scope and in such detail as the Bank shall reasonably request, describing, in accordance with the Monitoring and Evaluation Indicators, the progress achieved in the implementation of the Project during the preceding semester of the calendar year.

2. Mid-Term Review

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Monitoring and Evaluation Indicators, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about July 15, 2006, 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 Bank, by September 15, 2006, or such later date as the Bank 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 Bank's views on the matter.

