

CREDIT NUMBER 2094 MAG

Development Credit Agreement

(Education Sector Reinforcement Project)

between

DEMOCRATIC REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 4, 1990

CREDIT NUMBER 2094 MAG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 4, 1990, between DEMOCRATIC REPUBLIC OF MADAGASCAR (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) The Borrower intends to contract from OPEC Fund for International Development (OPEC Fund) a loan (the OPEC Fund Loan) in an amount of \$5,000,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the OPEC Fund Loan Agreement) to be entered into between the Borrower and OPEC Fund;

(C) The Borrower intends to contract from United Nations Development Programme (UNDP) a grant (the UNDP Grant) in an amount of \$1,000,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the UNDP Grant Agreement) to be entered into between the Borrower and UNDP;

(D) the Borrower has contracted from the Federal Republic of Germany a grant to assist in financing the Project;

(E) the Borrower, having stated in a letter of the same date hereof its program of objectives and actions designed to improve the efficiency of the education sector (the Education Strategy) and having requested the financial support of the Association for the execution of the Education Strategy; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and

conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

(a) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to exchanges of letters dated July 16, 1986, August 25, 1986, November 19, 1987, December 11, 1987, July 12, 1989 and August 4, 1989, between the Borrower and the Association;

(c) "MINESEB" means the Ministry of Basic and Secondary Education of the Borrower;

(d) "MINESUP" means the Ministry of Higher Education of the Borrower;

(e) "BPE" means the Bureau du Projet Education established pursuant to Decree 89-355, dated October 17, 1989;

(f) "UERP" means the "Unite des Etudes et de la Recherche Pedagogiques" established pursuant to Decree 89-356, dated October 17, 1989; and

(g) "Universities" means collectively, the Universities of the Borrower Antananarivo, Antsiranana, Mahajanga, Toamasina and Toliara.

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 million four hundred thousand Special Drawing Rights SDR 30,400,000).

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

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

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

Section 2.03. The Closing Date shall be June 30, 1996 or such later

date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1, commencing August 1, 2000 and ending February 1, 2030. Each installment to and including the installment payable on February 1, 2010 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MINESEB and MINESUP, all with due diligence and efficiency and in conformity with appropriate administrative, financial, educational and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without any limitation upon the provision of paragraph (a) of this Section, the Borrower shall maintain a caisse d'avance in the name of BPE, make funds available for such caisse d'avance in a timely fashion and ensure that the Director of BPE is empowered to authorize payment out of such caisse d'avance.

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. By July 31 of each year during execution of the Project, the Borrower shall prepare and furnish to the Association for approval a training program setting forth all training activities to be carried out under the Project during the next following school year.

Section 3.04. During execution of the Project, the Borrower shall keep BPE with adequate responsibilities and shall keep the position of director of BPE staffed with an individual whose qualifications are acceptable to the Borrower and the Association.

Section 3.05. Before commencement of any study to be carried out under Parts C.3 and C.4 of the Project, the Borrower shall furnish to the Association for approval the terms of reference of any such study.

Section 3.06. By December 31, 1991, the Borrower shall prepare and furnish to the Association for review the action plans referred to in paragraph 3(b) of Schedule 1 to this Agreement and a mid-term review report of such scope as the Association shall reasonably request, on the execution and initial operation of the Project, the performance of the Borrower of its obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit up to that time.

ARTICLE IV

Other Covenants

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

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. By October 31 of each year during execution of the Project, the Borrower shall prepare and furnish to the Association for approval a three year rolling public expenditure program in the education sector which shall be consistent with the Education Strategy.

Section 4.03. Except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the actions in the education sector set forth in Schedule 4 to this Agreement.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified:

- (i) Subject to subparagraph (ii) of this paragraph:
 - (A) The right of the Borrower to withdraw the proceeds of the OPEC Fund Loan or the UNDP Grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the OPEC Fund Loan Agreement or the UNDP Grant Agreement, or
 - (B) the OPEC Fund Loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that:
 - (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and
 - (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified; namely that the event specified in paragraph (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has taken all necessary measures to establish UERP at a level equivalent of a Direction within MINESEB, has transferred to it all pedagogical functions relating to training and teaching programs and to the conception and preparation of teaching materials and UERP has become fully operational;

(b) the Borrower has taken all necessary measures to establish BPE with adequate responsibilities, reporting directly to the ministers of MINESUP and MINESEB, has appointed a director of BPE, whose qualifications are acceptable to the Association, and BPE has become fully operational;

(c) all conditions precedent to the effectiveness of the UNDP Grant Agreement, other than effectiveness of this Agreement, have been fulfilled and the OPEC Fund Loan Agreement has been signed; and

(d) the Borrower has established a caisse d'avance in the name of BPE for the purposes of the Project.

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

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower responsible for finance 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:

Ministere des Finances et du Budget
B.P. 61
Antananarivo
Madagascar

Cable address:

Telex:

MINFIN
Antananarivo

22489-MG

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

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

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

DEMOCRATIC REPUBLIC OF MADAGASCAR

By /s/ Pierrot J. Rajaonaivelo
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Paul Isenman
Acting 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:

Amount of the Credit Allocated (Expressed in CategorySDR Equivalent)	% of Expenditures to be Financed	
(1) Civil works, equipment, and supplies under:		100% of foreign expenditures and 80% of local expenditures
(a) Parts A.1, B, C.1 through C.3, D, E, F, G.1, G.3, G.5, G.7, I, J, K.1 and K.2 of the Project	2,000,000	
(b) Parts A.2, C.4, G.2, G.4 G.6, G.8, H.2, K.3 through K.6 of the Project	7,500,000	
(2) Publication, printing and distribution of books under:		100%
(a) Part H.1	2,300,000	
(b) Part H.2 and K.4 of the Project	2,900,000	
(3) Training, studies and consultants, services under:		100%
(a) Parts A.1, B, C.1 through C.3, D, E, F, G.1, G.3, J, K.1	4,900,000	

and K.2 of
the Project

(b) Parts A.2, C.4, G.2, H.2, J.2 and K.3 through K.6 of the Project	3,100,000	
(4) Operating cost	2,000,000	100%
(5) Refunding of Project Prepara- tion Advance	1,200,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(6) Unallocated	4,500,000	
TOTAL	30,400,000	

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; and

(c) the term "operating cost" means costs relating to vehicle and office operation, travel expenses, and operating expenses of training institutions included in the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) payments made for expenditures under Categories (1) (b), (2) (b) and 3 (b) until the Borrower and the Association have agreed upon action plans:

- (i) concerning university curricula modernization, university administration and improvement of the cost/financing balance for the universities;
- (ii) for more efficient use of personnel paid under the MINESEB education budget and strengthening of education administration; and
- (iii) on school book distribution and storage and a cost recovery mechanism for school book production, storage and distribution.

SCHEDULE 2

Description of the Project

The objectives of the Project are to improve the quality and the internal and external efficiencies of the education system.

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

Component 1: Development of Sector Administrative, Management and Planning Capacities

Part A:

1. A study to define measures and actions required for the strengthening of the administration of primary and secondary education, including for the better use of teaching and administrative personnel and provision of equipment and supplies (Phase I).

2. Implementation of measures and actions defined under Part A.1 above (Phase II).

Part B:

1. Training of education planners and statisticians for the Departments of Planning and Statistics of MINESEB and MINESUP, the regional and local offices of MINESEB and the Universities (Phase I).

2. Preparation of short-, medium- and long-term sector development plans and establishment of a cost-control mechanism and a public expenditure programming system for the education sector (Phase I).

3. Planning enrollment targets of each level of education, estimation of budgetary needs and identification of measures to generate necessary financing (Phase I).

4. Collection and analysis of sector-wide education and budgetary statistics and publication thereof (Phase I).

5. Setting up of a school mapping system for the programming of the development of primary and secondary education and of a university mapping system (Phase I).

6. Training for the collection of statistics, school mapping and projection of the demand for schooling for regional staff, inspectors and headmasters (Phase I).

7. Strengthening of planning and statistics activities through carrying out of minor rehabilitation and construction works of facilities, provision of computer and office equipment, training and implementation of computerized systems for statistics, administration and planning (Phase I).

Part C:

1. A study to develop a maintenance strategy for school and administrative buildings of MINESEB and MINESUP (Phase I).

2. A study to improve the school book distribution system and to develop a cost recovery mechanism for school books production, storage and distribution (Phase I).

3. Studies on the internal and external efficiency of the education system and the improvement of educational quality (Phase I).

4. Studies on the internal and external efficiency of the education system and the improvement of educational quality (Phase II).

Part D:

Rehabilitation of facilities and provision of furniture, equipment, including computer equipment, vehicles and training for PCU (Phase I).

Component 2: Improvement of the Quality of Basic and General Secondary Education

Part E:

1. Preparation of curricula and development of teaching methods and materials (Phase I).

2. Preparation of pre-service and in-service training programs, including distance teaching programs, for teachers and pedagogical supervisory and advisory staff.

3. Coordination of the preparation of textbooks and teachers' guides and

supervision of their publication and distribution (Phase I).

4. Preparation of tests to assess student progress over time.

5. Rehabilitation of office buildings of UERP and provision of furniture, equipment, including computer equipment, vehicles and training (Phase I).

Part F:

Strengthening the role of pedagogical supervisory and advisory staff in the support and training of teachers at their place of work through provision of equipment, bicycles, motorcycles, other transport equipment and training, locally and abroad (Phase I).

Part G:

1. Carrying out of pre-service training for Level I teachers in three regional training colleges, rehabilitation and construction of facilities and provision of training, vehicles, furniture and equipment (Phase I).

2. Carrying out of pre-service training for Level I teachers of three regional training colleges, rehabilitation and construction of facilities and provision of training, vehicles, furniture and equipment (Phase II).

3. Carrying out of pre-service training for Level II teachers in one national Level II training college in Antananarivo, preparation of training programs and provision of teaching materials, vehicles, fellowships and study trips abroad (Phase I).

4. Rehabilitation and construction of facilities, provision of furniture, equipment and vehicles, for the national Level II training college (Phase II).

5. Rehabilitation and construction of about 13 training facilities for in-service training of Level I teachers and provision of furniture and equipment (Phase I).

6. Rehabilitation and construction of about 20 training facilities for in-service training of Level I teachers and provision of furniture and equipment (Phase II).

7. Rehabilitation of the facilities of, and provision of furniture and equipment for the Comites Pédagogiques Inter-Etablissement (Phase I).

8. Provision of storage facilities for distribution of school books and teaching materials (Phase II).

Part H:

1. Printing, publication and distribution of about three textbooks, about three teachers' guides and other teaching materials (Phase I).

2. Printing, publication and distribution of about six textbooks, about four teachers' guides and other teaching materials (Phase II).

Part I:

Rehabilitation and construction of buildings and provision of materials and equipment to upgrade secondary school laboratories of selected secondary schools (Phase I).

Component 3: Strengthening of Higher Education

Part J:

Establishment of two higher technological institutes at Antananarivo and Antsiranana, rehabilitation of facilities and provision of furniture, equipment, including computer equipment, vehicles and training therefor (Phase I).

Part K:

1. Studies to analyze the pedagogical and administrative procedures of the Universities and to make proposals for their reorganization and reinforcement (Phase I).
2. Establishment of an information system to provide guidance to students on employment opportunities and provision of furniture, equipment, including computer equipment, therefor (Phase I).
3. Training of teachers and administrators of the Universities (Phase II).
4. Preparation of computer programs, and installation of computer system for the administration of the Universities, and of communication systems between the Universities (Phase II).
5. Printing, publication and distribution of textbooks (Phase II).
6. Acquisition and installation of laboratory equipment (Phase II).

* * *

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and printing services shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Madagascar may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Goods and printing services estimated to cost less than the equivalent of \$100,000 but more than \$20,000 per contract and civil works shall be procured under contracts awarded on the basis of competitive bidding advertised locally; provided however that:

(a) registration of bidders in the Borrower's Registry of Commerce shall not be required for the acceptance of their bids;

(b) no procurement shall be made on the basis of selected tendering or direct contracting except in the case of rejection of all bids;

(c) bids shall be opened in public, i.e., bidders or their representatives shall be allowed to be present;

(d) no special preference shall be given to local bidders in the evaluation of bids; and

(e) the aggregate value of goods and printing services and the aggregate value of civil works so procured shall not, without the prior approval of the Association, exceed the equivalent of \$3,500,000 and \$3,000,000, respectively.

2. Goods estimated to cost less than the equivalent of \$20,000 per contract up to an aggregate of the equivalent of \$500,000 may be procured on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures

acceptable to the Association.

3. Textbooks, specified by title and author, may be purchased directly from publishers or distributors of such books subject to prior approval by the Association.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for goods estimated to cost the equivalent of \$50,000 or more and each contract for civil works estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Actions Referred to in
Section 4.03 of this Agreement

1. By June 30, 1991 the Borrower shall prepare and review with the Association programs to integrate nutritional, environmental and population concerns into public education.

2. By June 30, 1991 the Borrower shall prepare and review with the Association programs for improving female enrollment rates.

3. By June 30, 1990 the Borrower shall issue adequate directives instructing directors and teachers of primary schools to set objectives for maximum repetition rates in each section of 25% by 1991, 20% by 1992, 15% by 1993 and 10% by 1994.

4. The Borrower shall ensure that no new universities or new faculty at the Universities, with the exception of the higher technological institutes referred to in Part J of the Project, will be established before June 30, 1993.

5. By December 31, 1990, the Borrower shall establish an interministerial agency responsible for the coordination of vocational training and technical education activities in the education sector.

6. Upon completion of Parts G.1, G.2 and G.3, the Borrower shall ensure that:

(i) the respective training colleges function at full capacity;

and

- (ii) at least 600 qualified primary teachers and 300 qualified lower secondary teachers are recruited per year.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) 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 Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount of \$2,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit 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 made out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit

Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

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

