

CONFORMED COPY

CREDIT NUMBER 2375 ANG

(Education Project)

between

PEOPLE'S REPUBLIC OF ANGOLA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 12, 1992

CREDIT NUMBER 2375 ANG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 12, 1992, between PEOPLE'S REPUBLIC OF ANGOLA (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;

WHEREAS (B) the Association has received an Education Policy Statement, dated May 4, 1992, from the Borrower describing a long-term development plan to achieve the improvement of the education sector of the Borrower and declaring the Borrower's commitment to the execution of said plan;

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; and

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit

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

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

- (a) "ANU" means Agostinho Neto University of the Borrower;
- (b) "CBFD" means Centro Basico de Formacao Docente, the basic center for teacher training;
- (c) "DCE" means the Division of Construction and Equipment of GEPP, as hereinafter defined;
- (d) "GEPP" means Gabinete de Estudos, Plano e Projectos, the Studies, Planning and Projects Office of the Ministry of Education;
- (e) "HIES" means the Higher Institute of Educational Sciences of the Borrower;
- (f) "INE" means Instituto Normal da Educacao, the Borrower's Teacher Training Institute;
- (g) "INIDE" means the National Institute for Educational Research and Development of the Borrower;
- (h) "MOE" means the Ministry of Education of the Borrower;
- (i) "PCC" means the committee established by the Minister of Education to oversee Project implementation as set forth in Part A of Schedule 4 to this Agreement;
- (j) "PIU" means the GEPP in its capacity as Project and Implementation Unit established by the Minister of Education of the Borrower;
- (k) "Policy Statement" means the Borrower's education reform program as set forth in the Borrower's letter dated May 4, 1992;
- (l) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a Letter of Agreement dated April 2, 1992 and countersigned by the Borrower on April 24, 1992;
- (m) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (n) "School year" means the period which runs from September to July, applicable to all levels of education within the territory of the Borrower;
- (o) "Project year" means a period of a year beginning on the Effective Date, as defined in Section 6.01 of this Agreement; and
- (p) "fiscal year" and "FY" mean the Borrower's fiscal year which runs from January 1 to December 31.

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 nineteen million nine hundred thousand Special Drawing Rights (SDR 19,900,000).

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 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 deposit account in a commercial bank on terms and conditions

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

(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 September 30, 1997 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 or 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 payment 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 May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each May 15 and November 15 commencing November 15, 2002, and ending May 15, 2032. Each installment to and including the installment payable on May 15, 2012, 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 with due diligence and efficiency and in conformity with appropriate educational and managerial 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:

- (i) introduce in the budget for education a line item, and allocate to it, an amount equivalent to one million five hundred thousand dollars (\$1,500,000) for each fiscal year, to finance the cost of maintenance of schools from FY 1993; and
- (ii) 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 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; and (b) the Borrower shall take all necessary measure to exempt from all customs duties and taxes, all imported goods procured in accordance with the provisions of paragraph (a) of this Section.

Section 3.03. The Borrower, through GEPP, shall not later than thirty (30) days after the Effective Date: (a) open and maintain an account in dollars, or such other currency as may be acceptable to the Association, in a commercial bank (the Project Account), on terms and conditions satisfactory to the Association; (b) promptly thereafter, make an initial deposit into such account, in dollars or such other currency as may be acceptable to the Association, in an amount equivalent to two hundred thousand fifty dollars (\$250,000) to finance the Borrower's contribution to the Project; and (c) deposit every four months, into the Project Account, such amounts, in dollars or such other currency as may be acceptable to the Association, as shall be required to timely replenish the Project Account.

Section 3.04. The Borrower and the Association shall: (a) not later than November 1 of each year, until the completion of the Project, conduct an annual review of MOE's draft investments and recurrent education budgets, to ensure the application and financing of the Borrower's education reform; (b) not later than May 30, 1995, conduct a mid-term review to: (i) assess progress in achieving the Project objectives; and (ii) discuss the results and proposed strategies developed by the studies referred to under Parts D.1 (b); (c); and (d) of the Project; (c) four weeks prior to such review, but not later than April 15, 1995, furnish to all departments and agencies responsible for Project implementation and to the Association, for its review and comments, a report in such detail as the Association shall reasonably request, including an evaluation of progress achieved in carrying out the Project; and (d) promptly after completing the reviews, carry out those recommendations arising out of said reviews as agreed between the Borrower and the Association.

Section 3.05. The Borrower shall during the execution of the Project: (a) maintain, with functions, responsibilities, experience, qualifications and terms of reference satisfactory to the Association, the staff responsible for Project Implementation as set forth in Part B of Schedule 4 to this Agreement; and (b) take all necessary measures to make available housing, office space and transportation to consultants employed under the Project.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, 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 report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

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

(a) as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which make it improbable that GEPP, INIDE or ANU, as the case may be, will be able to perform their respective obligations under this Agreement; and

(b) the Borrower or any other authority having jurisdiction shall have taken any action concerning the Borrower's Policy Statement and education policies and programs that would materially affect the objectives of the Project.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified, namely, that any of the event specified in paragraphs (a) or (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of thirty (30) days after notice thereof shall have been given by the Association to the Borrower.

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 Association has received from the Borrower satisfactory evidence that: (i) INIDE has been legally reorganized, in accordance with terms and conditions agreed with the Association; (ii) MOE has taken the appropriate legal and administrative measures to: (A) review GEPP's functional responsibilities to include a new division of construction and equipment (DCE) in accordance with terms of reference agreed with the Association; (B) legally establish the PCC with the functions, responsibilities and staffing described in Part A.1 of Schedule 4 to this Agreement; (C) confirm GEPP's Director, and the Head of DCE, as Project Director and Deputy Project Director, respectively; and (D) legally establish the Tender Commission within MOE; and

(b) the Borrower has submitted to the Association all standard bidding documents and draft contracts to procure goods and services throughout Project implementation, in accordance with the provisions of Schedule 3 to this Agreement.

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

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister of Education of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Education
P.O. Box 1281
Luanda
Angola

Telex:

998 4121

For the Association:

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

Cable address:

Telex:

INDEVAS	248423 (RCA)
Washington, D.C.	82987 (FTCC)
	64145 (WUI) or
	197688 (TRT)

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

PEOPLE'S REPUBLIC OF ANGOLA

By /s/ Afonso Van Dunem

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil Works	7,320,000	90%
(2) Furniture	730,000	100% of foreign expenditures and 50% of local expenditures
(3) Equipment and vehicles	1,100,000	100%
(4) Textbooks and pedagogical materials	730,000	90%
(5) Training:		
(a) abroad; and	1,830,000	100%
(b) local	290,000	40%
(6) Consultants' services	2,560,000	100%
(7) Incremental Operating Costs	730,000	80%
(8) Refunding of Project Preparation Advance	490,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(9) Unallocated	4,120,000	
TOTAL	19,900,000	

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; and

(c) the term "incremental operating costs" means costs of: (i) maintenance and operations of equipment, vehicles and furniture financed under the Project; (ii) acquisition of office supplies necessary for Project Implementation; and (iii) salaries of local fixed-term staff contracted by the GEPP.

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.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) assist the Borrower in setting up a demonstration model for education through improvement of the quality of teaching inputs while implementing a new education structure; (b) enhance the Borrower's management capacity in the education sector; (c) improve the quality of training in economics and strengthen the information system of ANU; and (d) develop a strategy for overall rehabilitation, revitalization and progressive expansion of the education system and prepare future investment in the sector.

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: Demonstration Model for Education

1. Strengthening of the National Institute for Educational Research and Development (INIDE):

- (a) strengthening of the technical capabilities of INIDE;
- (b) provision of administrative and logistical support; and
- (c) carrying out minor rehabilitation works at INIDE's headquarters.

2. Provision of textbooks:

- (a) acquisition of about 53,000 textbooks and 6,500 library books;
- (b) strengthening of textbooks procurement capabilities; and
- (c) training abroad of INIDE staff in textbook evaluation and pedagogical evaluation.

3. Primary teacher training:

- (a) construction, furnishing, and equipping of INE; and
- (b) training abroad for primary teacher training college staff.

4. Rehabilitation and construction of primary and secondary schools:

- (a) rehabilitation, furnishing and equipping of about three primary schools;
- (b) construction, furnishing and equipping of about four primary schools;
- (c) rehabilitation, furnishing and equipping of about four lower secondary schools; and
- (d) construction, furnishing and equipping of one lower secondary school and one upper secondary school.

Part B: Strengthening of MOE's Educational Management Capabilities

1. Training of administrative staff:

- (a) construction, furnishing and equipping of an Administrative Training Center;
- (b) strengthening of training definition, packaging and organization capabilities; and
- (c) training locally and abroad of management staff.

2. Educational Planning:

- (a) strengthening of MOE's Department of Planning; and

- (b) training abroad of DP staff.
3. Financial Management:
 - (a) strengthening of MOE's Budget Directorate (BD);
 - (b) improvement of BD's data collection and processing capabilities; and
 - (c) training locally and abroad of BD staff.
 4. Human Resource Management:
 - (a) strengthening of MOE's Human Resource Management Department (HRM); and
 - (b) training locally and abroad of HRM staff.
 5. Strengthening of Project implementation capabilities:
 - (a) Strengthening of GEPP's capacity for construction, maintenance and equipment management, including Project implementation capabilities;
 - (b) rehabilitation, equipping and furnishing of housing for resident consultants employed under the Project; and
 - (c) rehabilitation, equipping and furnishing of office space for the GEPP.
 6. Strengthening of managerial capabilities at the provincial level:
 - (a) carrying out a diagnostic study of current decentralization efforts; and
 - (b) design of an action plan to implement the recommendations of the decentralization study.

Part C: Higher Education

1. Faculty of Economics of Agostinho Neto University (FOE):
 - (a) carrying out a program to upgrade the qualification of FOE's professors;
 - (b) training of FOE's administrative staff;
 - (c) reorganization of FOE's libraries and acquisition of economics and management books, international economic journals and development of a computerized data processing capability; and
 - (d) acquisition of furniture and equipment for FOE's classrooms, administrative offices and libraries.
2. Improving ANU's management information system.
 - (a) strengthening of ANU's information basis for policy analysis and decision-making; and
 - (b) training locally and abroad of ANU staff.

Part D: Studies and Preparation of Future Investments

1. Carrying out the following studies:
 - (a) analysis of the organization and functioning of MOE and development of recommendations for increased effectiveness;
 - (b) analysis of higher education and development of the strategy, programs and main operational policies for its adjustment;
 - (c) assessment of the potential role and contribution of the private sector to the development of education and the identification of institutional and financial mechanisms to further encourage it;
 - (d) a cost and financing study of the education sector including the updating and refinement of financing strategies and the pace of the rehabilitation,

revitalization and expansion of education;

(e) a study of teacher training needs and the preparation of a program for the reorganization of Teacher Training Colleges in accordance with the new structure;

(f) a school mapping and pedagogical organization of the post-primary education system; and

(g) development of an investment program.

2. Preparation of future investment projects in the education sector.

* * *

The Project is expected to be completed by March 31, 1997.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

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

2. To the extent practicable, contracts for: (a) works shall be grouped into bid packages estimated to cost the equivalent of \$1,300,000 or more; and (b) goods shall be grouped into bid packages estimated to cost the equivalent of \$600,000 or more.

3. Goods shall be exempted from pre-shipment price inspection by a third-party inspection firm.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Angola 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: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Local Competitive Bidding

Works, equipment and furniture estimated to cost the equivalent of \$400,000 or less per contract, up to an aggregate amount equivalent to \$750,000, may be awarded on the basis of competitive bidding advertised locally, in accordance with procedures acceptable to the Association.

2. Local Shopping

Items or groups of items, estimated to cost the equivalent of \$20,000 or less per contract, up to an aggregate amount equivalent to \$1,300,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part E: 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 estimated to cost the equivalent of \$75,000 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.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 10% 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 of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Implementation Program

Part A: Project Management

1. Project Coordinating Committee (PCC)

(a) A Project coordination committee shall be established by the Minister of Education with the following members: (i) the Vice-Minister for General Education (Chairperson); (ii) the Project Director (GEPP); (iii) the Deputy Project Director; (iv) Directors of MOE's Budget Directorate, and Education Planning, Training, Human Resource Management and Administration Departments; (v) INIDE's Director; and (vi) representatives of ANU.

(b) The PCC will provide overall guidance on Project implementation matters. The PCC shall be responsible, inter alia, for reviewing and monitoring the following: (i) annual work programs and related budgets, including the Borrower's counterpart contributions to the Project; (ii) design and implementation of training carried out locally and abroad; and (iii) assess Project implementation progress through the assessment of biannual progress and annual audit reports, prior to their submission to the Association.

(c) The PCC shall meet at least twice a year.

(d) GEPP shall be responsible for the Secretariat of PCC.

2. Project Implementation Unit

(a) GEPP shall be responsible for overall Project implementation and shall be confirmed by MOE as the Project Implementation unit (PIU).

(b) Project Director. GEPP's Director shall be appointed as Project Director responsible for the overall Project implementation, under the general guidance of the PCC.

(c) The Project Director shall have, inter alia, the following functions: (i) ensuring appropriate compliance with the provisions of this Agreement, including procurement, financial and auditing obligations of the Borrower hereunder; (ii) timely

contracting and supervision of civil works, goods and services procured under the Project; (iii) liaising with the Association; (iv) preparing and furnishing to the Association semi-annual reports on: (A) Project implementation including appropriate procurement information; and (B) expenditures incurred under the Credit after 1992, by not later than April 30 and October 31, of each year throughout Project implementation; and (v) preparing and furnishing to the Association a Project completion report within six months of the Closing Date.

(d) DCE shall assist the Project Director with the preparation of bidding documents and contracts and the monitoring of civil works, as hereinafter referred to.

3. Other Staff

(a) In discharging his/her responsibilities, the Project Director shall be assisted by the Head of DCE in his/her capacity of Deputy Project Director.

(b) The Deputy Project Director shall be responsible for the preparation of bidding documents and contracts and the monitoring of civil works.

(c) The following additional technical staff shall also be employed with qualifications and experience satisfactory to the Association, and in accordance with terms of reference agreed between the Borrower and the Association: (i) architect/civil works engineer; (ii) administrator/accountants; and (iii) procurement specialist.

4. The Heads of the relevant departments and directorates of MOE shall be responsible for overall management of their respective Project component, such responsibility shall include inter alia: (i) ensuring that execution of Project activities under the respective Project component is consistent with the Project objectives set forth in Schedule 2 to this Agreement; (ii) ensuring the efficient use of goods and services procured under the Project; and (iii) taking all necessary measures to timely implement the annual action programs to be carried out under the Project.

Part B: Schedule of Actions to be carried out by the Borrower during Project Implementation

Except as the Association and the Borrower shall otherwise agree, the Borrower shall:

1. Not later than January 1, 1993: (a) assign to INIDE three additional technical staff with qualifications and experience satisfactory to the Association; and (b) select a qualified and experienced official to head the Administrative Training Center, in accordance with terms of reference agreed with the Association.

2. Not later than February 1, 1993, establish and approve the criteria for the award of long-term fellowships financed under FOE's training component under Part C.1 (a) of the Project. These criteria shall include, inter alia, the following: (a) full-time teaching for one year before starting training program; (b) formal commitment to full-time teaching for a period at least equivalent to twice that of the training, upon return; and (c) enrollment in a Master's or Doctorate study program.

3. Not later than March 31, 1993, strengthen MOE's Budget Directorate and the HRM through the appointment of two additional technical staff for each Department, all with qualifications and experience satisfactory to the Association.

4. Not later than September 1, 1993: (a) prepare and submit to the Association, the training program and corresponding budget for the first year of training under the Project; and (b) ensure that all contracts for the employment of consultants' services financed under the Project include the provision of transfer of know-how to local counterparts, as a contractual obligation of the consultants.

5. Not later than September 30, 1993, approve and furnish to the Association, the Statute for Primary Teacher Training Colleges and related primary application schools, in accordance with terms and conditions previously agreed with the Association.

6. Not later than December 31, 1993, prepare and furnish to the Association the revised primary and teacher training curricula, taking into consideration the comments and recommendations made by the Association.

7. Not later than June 30, 1994, prepare and furnish to the Association the lower

and upper secondary school curricula, taking into consideration the comments and recommendations made by the Association.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,300,000 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 paid out of the Special Account for eligible expenditures.

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

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

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

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; 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; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

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

