

CONFORMED COPY

CREDIT NUMBER 2960 GUB

Development Credit Agreement

(Basic Education Support Project)

between

REPUBLIC OF GUINEA-BISSAU

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 17, 1997

CREDIT NUMBER 2960-GUB

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 17, 1997, between REPUBLIC OF GUINEA-BISSAU (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 Association has received a letter dated April 23, 1997, from the Borrower describing a program of actions, objectives and policies designed to strengthen the Borrower's education sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower intends to contract from Kingdom of Sweden (Sweden) a grant (the Swedish Grant) in an amount approximately equivalent to \$2,500,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the Swedish Grant Agreement) to be entered into between the Borrower and Sweden; 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 modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Association or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

- (c) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Association. If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days, or (b) at any time, the Association determines, after consultation with the Borrower, that an amount of the Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Credit, or (c) at any time, the Association determines, with respect to any contract to be financed out of the proceeds of the Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (d) at any time, the Association determines that the procurement of any contract to be financed out of the proceeds of the Credit is inconsistent with the procedures set forth or referred to in the Development Credit Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (e) after the Closing Date, an amount of the Credit shall remain unwithdrawn from the Credit Account, the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be canceled."

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) "Beneficiary" means an individual or group of individuals for whose benefit, a Sub-project (as hereinafter defined) is proposed to be carried out or is carried out in accordance with the terms and conditions and eligibility criteria contained in the Project Implementation Manual (as hereinafter defined);
- (b) "First Project Year" means the twelve-month period beginning from the Effective Date and ending twelve months thereafter, and Project Year means any twelve-month period beginning at the end of the First Project Year or the subsequent Project Years;
- (c) "MOE" means the Borrower's Ministry of Education;
- (d) "Performance Monitoring Indicators" means the indicators referred to in Schedule 6 to this Agreement;
- (e) "Project Preparation Advance" means the project preparation advance

granted by the Association to the Borrower pursuant to an exchange of letters dated March 12, 1997 and June 6, 1997 between the Borrower and the Association;

(f) "Project Implementation Manual" means the manual adopted by the Borrower, pursuant to Section 6.01(c) of this Agreement, for the purposes of carrying out the Project, containing inter alia, work programs, training programs, monitoring and performance indicators, implementation plan, and terms and conditions and eligibility criteria for Sub-projects (as hereinafter defined), to be used for the purposes of implementation of the Project, as the same may be amended from time to time, and such term includes any schedules to the Project Implementation Manual;

(g) "PCU" means Project Coordination Unit, established by the Borrower pursuant to Section 6.01 (b) of this Agreement;

(h) "Project Steering Committee" means the committee to be established by the Borrower in accordance with the provisions of paragraph 2 of Schedule 4 to this Agreement;

(i) "SPH" means School Publishing House, the Borrower's publishing unit within MOH;

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

(k) "Sub-project" means a specific pilot activity financed, or to be financed, under Part B.3 of the Project.

## 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 ten million five hundred thousand Special Drawing Rights (SDR 10,500,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association including appropriate protection against set-off, seizure and 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 canceled.

Section 2.03. The Closing Date shall be March 31, 2002, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at

the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment and service charges shall be payable semiannually on April 15 and October 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 April 15 and October 15 commencing October 15, 2007 and ending April 15, 2037. Each installment to and including the installment payable on April 15, 2017 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

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

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

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and educational practices, and shall provide, promptly as

needed, the funds, facilities, services and other resources required for the Project.

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

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

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall: (a) prepare, on the basis of guidelines acceptable to the Association and furnish to Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and (b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

#### ARTICLE IV

##### Financial Covenants

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

(b) The Borrower shall:

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

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records and 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 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 report of such audit referred to in paragraph (b) of this Section and that the report 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 this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out;

(b) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the Swedish Grant made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, or termination 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.

## ARTICLE VI

### Effective date; Termination

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

(a) the Swedish Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of this Agreement, have been fulfilled;

(b) the Borrower has established the PCU and appointed a coordinator, an accountant and a procurement specialist for the Project, all in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(c) the Borrower has adopted the Project Implementation Manual, in form and substance acceptable to the Association;

(d) the Borrower has established an administrative and financial system for the Project in form and substance acceptable to the Association; and

(e) the Borrower has appointed an auditor for the Project, in accordance with the provisions of Section II of Schedule 3 to this Agreement.

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

## ARTICLE VII

### Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time 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:

Ministry of Finance  
Av. Domingos Ramos  
P. O. Box 67  
Bissau

For the Association:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

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

REPUBLIC OF GUINEA-BISSAU

By /s/ Rufino Mendes

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib

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	3,970,000	100% of foreign expenditures and 95% of local expenditures
(2) Goods	540,000	100% of foreign

			expenditures and 95% of local expenditures
(3)	Books and Pedagogical Materials	980,000	100% of foreign expenditures and 95% of local expenditures
(4)	Consultants' services	2,080,000	100%
(5)	Training	1,180,000	100% of foreign expenditures and 95% of local expenditures
(6)	Good and services under the Sub-projects	200,000	95%
(7)	Incremental Operating Costs	300,000	95%
(8)	Refunding of Project Preparation Advance	190,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(9)	Unallocated	1,060,000	
	TOTAL	10,500,000 =====	

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; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures"; and

(c) the term "incremental operating costs" means the incremental expenses incurred on account of Project implementation, management and monitoring, including office supplies, vehicle operation, communication, travel and supervision costs but excluding salaries of officials of the Borrower's civil service.

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.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) goods and works under contracts not exceeding \$100,000 equivalent; (ii) services of consulting firms under contracts not exceeding \$75,000 equivalent; (iii) services of individual consultants under contracts not exceeding \$35,000 equivalent; (iv) training; and (v) incremental operating costs, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project



The objectives of the Project are to: (i) improve school facilities and teaching-learning process; (ii) increase the Borrower's institutional capabilities in planning access to basic education; (iii) institute a mechanism for regular payment of teachers; (iv) improve human resources and financial management within the Borrower's educational sector; and (v) prepare a policy framework for future programs.

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: Expansion of Access to Basic Education

1. Basic Infrastructure

(a) Construction or rehabilitation of about 570 classrooms including refurbishing thereof.

(b) Carrying out of routine maintenance operation in about 450 schools.

2. Education Planning and Management System Establishment of an Education Management Information System (EMIS) including equipping of nine MOE regional directorates with information technology, establishment of a data bank, preparation of a school system map, upgrading of the MOE's statistics services, and organization of in-service training seminars and workshops for the benefit of MOE staff.

3. Girls' Education

Provision of technical advisory services, including training, in the designing of policy measures and action plans for the promotion of girls education.

Part B: Improvement of Quality of Basic Education

1. Textbook and Pedagogical Materials

(a) Acquisition of textbooks, and instruction and pedagogical materials to students, and distribution thereof.

(b) Organization of a series of seminars for the benefit of teachers to introduce the content and methodological approaches included in the textbooks referred to in paragraph (a) above.

2. In-service Teacher

Training Organization of a series of in-service-training programs for the benefit of teachers, including inter alia, re-activating and strengthening of teachers study committees, organization of regional technical teams, establishment of about nine teachers support units, designing and publication of a teachers' handbook for levels 1-6, and designing of pilot studies on integrated 1-6 basic education curriculum and feasibility study on alternative pre-service teacher training program.

3. Pilot Initiatives Provision of technical advisory services and financial assistance to Beneficiaries, inter alia, to design, improve, maintain and disseminate local and school-based basic education-related pilot initiatives.

Part C: Enhancement of Education Management

1. Human and Financial Resources

(a) Acquisition of equipment for the strengthening of MOE's Administrative and Financial Directorates, and training of its staff in the area of public accounting and file management techniques.

(b) Development of a human resources management system and implementation thereof at MOE's central and regional offices.

(c) Establishment of a budget control procedure within MOE

2. Carrying out of a series of studies aimed at, inter alia, preparing pre-service training of teachers, enhancing integrated approach to basic education, evaluating the structure and functions of MOE and assessing the teachers' career path and status.

3. Project Coordination Unit Provision of technical advisory services and logistical assistance for the establishment, maintenance and operation of the PCU.

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The Project is expected to be completed by October 31, 2001.

### SCHEDULE 3

#### Procurement Section

##### I. Procurement of Good and Works

###### Part A: General

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

###### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

###### (a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

###### (b) Preference for domestically manufactured goods

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

###### (c) Notification and Advertising

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

###### Part C: Other Procurement Procedures

###### 1. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$130,000 equivalent, and works estimated to cost \$50,000 equivalent per contract or more, up to an aggregate amount not to exceed \$5,570,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

###### 2. International Shopping

Textbooks estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$160,000 equivalent, and equipment, vehicles and furniture, estimated to cost less than \$50,000 equivalent per contract up to an aggregate amount not to exceed \$120,000, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of

paragraph 3.6 of the Guidelines.

3. National Shopping

Equipment, vehicles and furniture estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$90,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraph 3.5 of the Guidelines.

4. Direct Contracting

Textbooks and pedagogical materials estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount of \$100,000 equivalent or less, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

5. Community Participation

Goods and works required for Part B.3 of the Project shall be procured in accordance with the provisions of paragraph 3.15 of the Guidelines and procedures described in the Project Implementation Manual.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review With respect to each contract for goods and works estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

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

Section II Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

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

2. The following provisions shall apply to consultants services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services under Part B.3 of the Project, estimated to cost less than \$75,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants.

1. Least-cost Selection

Services for audit estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants Qualifications

Services for studies regarding the statistical yearbook, school mapping, gender policy, distribution of pedagogical materials and constructions/innovations, estimated to cost less than \$75,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services for training programs management which are estimated to cost less than \$75,000 equivalent per contract, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

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

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

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

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$ 75,000 or more, but less than the equivalent of \$150,000, and each contract for the employment of individual consultants estimated to cost the equivalent of \$35,000 or more, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$75,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

3. Post Review

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

SCHEDULE 4

Implementation Program

1. Except as the Association shall otherwise agree, the Borrower shall, in carrying out the Project, apply the guidelines and procedures specified in the Project Implementation Manual and shall not amend such Project Implementation Manual or waive any provision thereof which, in the opinion of the Association, will materially or adversely affect the implementation of the Project.

2. The Borrower shall, not later than sixty days after the Effective Date, establish and thereafter maintain, a Project Steering Committee (PSC) for the purposes

of assisting the MOE in planning and assessing the activities carried out under the Project. The PSC shall be chaired by the Borrower's Minister of Education and shall consist of representatives of national and regional level directorates of MOE and representatives of non-governmental organizations. The PSC shall convene at least three times a year.

3. The Borrower shall cause PCU to maintain, until the completion of the Project, qualified staff including, inter alia, a coordinator, three technical specialists, one procurement specialist, one accountant, one administrative assistant and other support staff in adequate numbers. The coordinator shall report directly to the Borrower's Minister of Education.

4. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about May 31, 1999, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by June 30, 1999, or such later date as the Association shall request, the report referred to in subparagraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association views on the matter.

5. The Borrower shall, until the completion of the Project, maintain the existing organizational structure of SPH.

6. The Borrower shall ensure that salaries of teachers are paid in a timely and regular manner.

7. Sub-project (Part B.3 of the Project)

(a) Except as the Association shall otherwise agree, the Borrower shall, in the carrying out of Part B.3 of the Project, apply the rules, procedures and eligibility criteria, specified in the Project Implementation Manual.

(b) For the purpose of evaluating and approving a Sub-project, the Borrower shall establish a selection committee with terms of reference acceptable to the Association. The said committee shall make the funds available to the Beneficiary in accordance with the guidelines and criteria set forth in the Project Implementation Manual, and in particular after examining the following:

(i) a detailed proposal with a plan of activities has been submitted by the Beneficiary;

(ii) the proposal is economically and technically feasible;

(iii) the Beneficiary contribution represents at least 5% of the total amount of the proposal;

(iv) the proposal is directly linked with educational quality, access to school, equity and management of the basic education; and

(v) the proposal is innovative, adequate and replicable in the Borrower's educational system.

## 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 of \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount of \$300,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 2,500,000.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within

the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

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

#### SCHEDULE 6

##### Performance Monitoring Indicators

##### Expanding access to Basic Education

- (a) Increased number of new and rehabilitated classrooms.
- (b) Improved planning and management capacity.
- (c) Improved policy and program measures for girls' schooling.
- (d) Increased use of textbooks and teaching/learning materials.
- (e) Reinforced technical support to school teachers and principals.

##### Enhancing Management

- (f) Improved human resources and financial management.
  - (g) Lessons learned from pilot initiatives and studies.
  - 1. Enrollment rates increased from 53% to 63% by end of the Project (EOP).
  - 2. Repetition rates in 1st and 2nd grades reduced from 35% to 26% by EOP.
  - 3. Action Plan to increase girls' education approved by June 1998.
  - 4. Action Plan to expand coverage of grades 1-4 in rural areas approved by June 1998.
    - (a) Classrooms (new and rehabilitated) increased by 570.
    - (b) MOE Central and Regional offices all using Data Bank in planning and managing sector operations.
    - (c) Action Plan by June 1998 and implement project sub-components to carry out planned activities.
    - (d) Students in grades 1-4 using textbooks in three basic subjects: 50% in SY 1997-98; 65% in SY 98-99; 80% in SY 99-00; and 90% in SY 2000-01.
    - (e) Teachers engaged in continuing in-service training: 20% in SY 97-98; 50% in SY 98-99; 75% in SY 99-00; and 100% in SY 2000-01.
    - (f) Delays in teachers' salary and allowance payments reduced to zero.
    - (g) Reports produced to support strategic decision-making for next development stage.
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