Development Credit Agreement

(Second School Access and Improvement Project)

between

REPUBLIC OF DJIBOUTI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 28, 2005
CREDIT NUMBER 4122-DJI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 28, 2005, between REPUBLIC OF DJIBOUTI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated October 30, 2000, from the Borrower describing a program of actions, objectives and policies designed to improve quality and increase enrollment rates in primary education; and a letter dated February 28, 2004, updating the actions, objectives and policies of the program described in the aforementioned letter (both letters hereinafter collectively referred to as the Program), confirming the Borrower’s continued support thereto and declaring the Borrower’s commitment to the execution of the said Program;

(B) the Borrower has requested that the Association support its execution of the Program through a series of Credits over a period of ten years, the proceeds of such Credits to be utilized by the Borrower for implementing the Program;

(C) the first phase of the Program has been supported by the Association through a Credit in an amount in various currencies equivalent to seven million eight hundred thousand Special Drawing Rights (SDR7,800,000), pursuant to the Development Credit Agreement (3445-DJI) dated January 22, 2001, between the Borrower and IDA, and

(D) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, which Project forms the second phase of the Program, has requested the Association to assist in the financing of the Project; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower in support of the second phase of the Program (the Project) upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:
Paragraph (c) of Section 9.06 of the General Conditions is modified to read as follows:

“(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Credit Agreement and the accomplishment of the purposes of the Credit.”

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) “CFPEN” means “Centre de Formation des Personnels de l’Education Nationale”, the Borrower’s staff training center for national education, established by the Borrower and operating within the Ministry of National and Higher Education;

(b) “CRIPEN” means “Centre de Recherche d’Information et de Production de l’Education Nationale”, the Borrower’s national education research and information production center, established by the Borrower and operating within the Ministry of National and Higher Education;

(c) “Environmental Management Plan” means the Borrower’s plan prepared under the first phase of the Program and dated July 23, 2000, as updated on December 22, 2004, for the second phase of the Program and as such plan may be updated from time to time by agreement of the Borrower and the Association, consisting of a set of mitigation, monitoring, and institutional measures to be taken during implementation and operation to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels;

(d) “Higher Education Committee” means a committee established within the MNHE with oversight over the education reform process and responsibility for overseeing Project Activities;

(e) “IAPSO” means the Inter- Agency Procurement Services Office which is a part of the United Nations Development Program;

(f) “MNHE” means the Ministry of National and Higher Education of the Borrower;
(g) “MPU” means the Maintenance and Project Unit maintained within the
MNHE, with staff whose qualifications and experience shall at all time be acceptable to
the Association;

(h) “PIP” means the Borrower’s Project Implementation Plan dated
November 16, 2000, acceptable to the Association and to be updated by June 30, 2005, in
connection with the second phase of the Program, as the same may be amended by
agreement between the Borrower and the Association;

(i) “Project Preparation Advance” means the project preparation advance
granted by the Association to the Borrower pursuant to the letter agreement signed on
behalf of the Association on March 4, 2004, and on behalf of the Borrower on
March 27, 2004; and

(j) “Special Account” means the account referred to in Section 2.02(b) of
this Agreement.

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 six million six hundred thousand Special Drawing Rights
(SDR 6,600,000).

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, works and services required for the Project and to be financed
out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in
United States 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
canceled.
Section 2.03. The Closing Date shall be June 30, 2009, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 15 of each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15, commencing September 15, 2015, and ending March 15, 2025. Each installment to and including the installment payable on March 15, 2025, shall be 5% 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 (6) 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 (5) 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, educational, environmental and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement, the PIP and the Environmental Management Plan.
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, as said provisions may be further elaborated in the Procurement Plan.

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

Section 3.03. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall, for the purposes of making available its counterpart contribution to the financing of the Project:

(a) open and maintain an account (the Project Account) in its Central Bank on terms and conditions satisfactory to the Association;

(b) not later than two (2) months after the Effective Date, make an initial deposit into such account, in an amount equivalent to US$125,000 to finance the Borrower’s contribution to the Project for the first year;

(c) thereafter, deposit into the Project Account at least once every six (6) months, such amounts as shall be required to replenish the Project Account back to the level of the initial deposit referred to in paragraph 3.03(b) above; and

(d) use the Project Account exclusively to finance expenditures under the Project.

Section 3.04. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the further achievement of the Project’s objectives; 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 establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made, audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

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

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate 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, accounts and statements of expenditures are included in the annual audit for each fiscal year referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall prepare and furnish to the Association quarterly Financial Monitoring Reports, in form and substance acceptable to the Association, each of which:

(i) sets forth actual and planned sources and applications of funds for the Project, both cumulatively and for the period covered by said report showing separately funds provided under the Credit and expenditures financed out of the proceeds of the Credit during the period covered by said report and explains variances between the actual and planned uses of such funds.

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank no later than forty five (45) days after the end of the first quarter after the Effective date, and shall cover the period from the incurrence of the first expenditure under the project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than forty five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01 Pursuant to Section 6.02(l) of the General Conditions, the following additional event is specified, namely, that a situation shall have arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.
ARTICLE VI

Effective Date; Termination

Section 6.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Economy, Finance and Planning in charge of Privatization 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 Economy, Finance and Planning in charge of Privatization
BP: 13
Djibouti City
Republic of Djibouti

Facsimile:
(253) 35 6501

For the Association:

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

Cable address: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (202) 477-6391
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Cairo, Arab Republic of Egypt, as of the day and year first above written.

REPUBLIC OF DJIBOUTI

By /s/ Ali Farah Assoweh
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Emmanuel Mbi
Country Director
Middle East and North Africa Region
SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil works</td>
<td>2,000,000</td>
<td>100% of foreign expenditures and 90% of local expenditures</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>1,775,000</td>
<td>100% of foreign expenditures and 90% of local expenditures</td>
</tr>
<tr>
<td>(3) Consultants’ services, audit fees and training</td>
<td>1,850,000</td>
<td>87% for local consultants and 89% for foreign consultants</td>
</tr>
<tr>
<td>(4) Incremental Operating Costs</td>
<td>275,000</td>
<td>90%</td>
</tr>
<tr>
<td>(5) Refunding of Project Preparation Advance</td>
<td>400,000</td>
<td>Amount due pursuant to Section 2.02(c) of this Agreement</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>300,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>6,600,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

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, works 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, works or services supplied from the territory of the Borrower; and
the term “Incremental Operating Costs” means expenditures incurred by
the Borrower on account of utility charges, communication expenses, insurance, fuel,
office supplies and stationary, banking charges, and consumable and domestic travel, but
excluding salaries of the Borrower’s civil servants.

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: (a) goods under contracts
costing US$100,000 equivalent or less each; (b) works under contracts costing
US$400,000 equivalent or less each; (c) services under contracts for consulting firms
costing US$100,000 equivalent or less each; (d) services under contracts for individual
consultants costing US$50,000 equivalent or less each; and (e) training and Incremental
Operating Costs.
SCHEDULE 2

Description of the Project

The objective of the Project is to increase access to basic education equitably, improve the quality of education and increase the efficiency 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:

Part A: Increasing Access to, and Equity of, Basic Education

1. Increasing the capacity of existing schools through the construction, equipment and rehabilitation of classrooms, in primary and middle schools in urban and rural areas.

2. Carrying out a construction program to extend and upgrade sanitation services and other school premises in primary and middle schools.

3. Provision of technical assistance to MNHE to develop a maintenance strategy and support its implementation.

4. Carrying out a program to: (a) develop and strengthen the awareness campaign launched by MNHE for the purpose of enticing communities to partake in school management and maintenance; and (b) support initiatives for children with special needs.

Part B: Improvement of Quality of Education

1. Support to CFPEN through the provision of technical assistance, equipment and training, and the development of a cost-effective, in-service training strategy and supporting its implementation.

2. Providing training, equipment and technical assistance to CRIPEN to: (a) enhance its staff’s skills in curriculum development; and (b) carrying out a program to support textbook development, production and publication, and improve textbook distribution, textbook management systems and community awareness.

3. Carrying out a program to: (a) strengthen school inspection and supervision through the provision of equipment, furniture and training to inspectors and pedagogical advisors; and (b) increase management and pedagogical skills of school administrators, teachers through the provision of technical assistance and training.

4. Provision of technical assistance, training and materials to MNHE to improve evaluation skills and participate in international evaluations.
Part C: Efficiency and Capacity Building

1. Strengthening the institutional capacity of MNHE and improving sector management efficiency through the provision of staff training, technical assistance and equipment.

2. Supporting MNHE in implementing policies that aim at reducing the cost of school construction and textbooks, and improving teachers’ recruitment and management.

3. Promoting partnership and improving school environment through the strengthening of the role of parent-student associations and school management committees, and the provision of technical assistance and training.

* * *

The Project is expected to be completed by December 31, 2008.
SCHEDULE 3

Procurement

Section I: General

1. 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” dated May 2004 (the Guidelines) and the provisions of this Schedule.

2. All consultants services shall be procured in accordance with Section I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this schedule.

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

Section II: Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding

Except as otherwise provided in Part B of this Section, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding, in accordance with the provisions of Section II of the Guidelines.

B. Other Procurement Procedures

1. Limited International Bidding

Goods which the Association agrees can only be purchased from a limited number of suppliers may be procured under contracts awarded on the basis of Limited International Bidding.

2. National Competitive Bidding

Goods estimated to cost less than $400,000 equivalent per contract, and works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.
3. **Shopping**

Goods estimated to cost less than $30,000 equivalent per contract and works estimated to cost less than $30,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

4. **Direct Contracting**

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

5. **Procurement from UN Agencies**

Goods estimated to cost less than $200,000 equivalent per contract may be procured directly from IAPSO in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

**Section III. Particular Methods of Procurement of Consultants’ Services**

A. **Quality- and Cost-based Selection**

Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection, in accordance with the provisions of Section II of the Consultant Guidelines. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $50,000 equivalent per contract may comprise entirely national consultants.

B. **Other Procedures**

1. **Quality-based Selection**

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

2. **Selection Under a Fixed Budget**

Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.
3. *Least-cost Selection*

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

4. *Selection Based on Consultants’ Qualifications*

Services estimated to cost less than $50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

5. *Single Source Selection*

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

6. *Individual Consultants*

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

Section IV: **Review by the Association of Procurement Decisions**

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) for goods, works and services (other than consultants’ services) (i) all contracts procured on the basis of International Competitive Bidding, Limited International Bidding contracts and Direct Contracting and all contracts procured from UN Agencies, and (ii) NCB contracts costing above US$400,000 for works and all NCB costing US$100,000 or above for goods; (b) for consultants’ services (i) contracts for firms costing above $100,000, and (ii) all contracts procured under Single Source selection method, and (iii) contracts for Individual Consultants costing above $50,000.

All other contracts shall be subject to Post Review by the Association.
SCHEDULE 4

Implementation Program

A. Project Implementation and Coordination

1. MNHE shall be responsible for Project implementation and shall be assisted in the carrying out of its responsibilities by MPU.

2. MPU shall be responsible for: (i) managing and coordinating Project activities; (ii) the procurement and disbursement processing; (iii) maintaining Project accounts, (iv) facilitating the carrying out of Project audits; and (v) preparing and submitting Project progress and Financial Management Reports.

3. The Higher Education Committee shall coordinate Project implementation activities. It shall be responsible for: (i) setting policy guidelines; (ii) monitoring the achievements of Project objectives; and (iii) providing general Project oversight and stakeholders coordination.

4. The Borrower shall:
   
   (a) not later than two (2) calendar months following the Effective Date, employ a procurement specialist, whose qualifications and experience are acceptable to the Association;

   (b) not later than November 15 of each year until completion of the Project, prepare and submit to the Association two (2) plans, satisfactory in substance to the Association, which shall set forth the implementation and procurement arrangements, respectively, for the following year;

   (c) Without prejudice to the provisions of paragraph B-1 (b) below, not later than June 30 and December 31 of each year until completion of the Project, prepare and submit to the Association, for its review and comment, a report on the progress achieved in the implementation of the Project during the period preceding the date of said report; and

   (d) not later than June 30 and December 31 of each year until completion of the Project, prepare and submit to the Association, for its review and approval, the list of schools to be maintained under Part A.3 of the Project.
B. **Mid-Term Review**

1. The Borrower shall:

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

   (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 30, 2007, 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, 2007, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.

B. **Milestones**

1. Without prejudice to the provisions of paragraph B-1 (b) above, the Borrower shall:

   (a) prepare and furnish to the Association, not later than June 30, 2008, a report describing the progress in the fulfillment of the actions referred to in the Program, including the attainment of the milestones agreed between the Association and the Borrower and required to be reached as a pre-requisite to initiate the third phase of the Program; and

   (b) review with the Association, not later than September 30, 2008, or such later date as the Association shall request, the report referred to in subparagraph (a) of this paragraph, and, thereafter, take all measures required by the Association to initiate the third phase of the Program.
SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

   (a) the term “eligible Categories” means Categories (1), (2), (3) and (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, works, services and Incremental Operating Costs 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 $800,000 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 equivalent to $500,000 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 SDR2,000,000.

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 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;

   (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 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.