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CREDIT NUMBER 2804-GRD

# Development Credit Agreement

(Basic Education Reform Project)

between

GRENADA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 26, 1996

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**DEVELOPMENT CREDIT AGREEMENT NUMBER 2804-GRD**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated February 26, 1996, between GRENADA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and the Bank (the Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount of three million eight hundred twenty six thousand dollars (\$3,826,000) (the Loan);

(C) the Borrower and the Association intend, to the extent practicable, that the proceeds of the Credit provided for in this Agreement be disbursed on account of expenditures in respect of the Project before disbursements of the proceeds of the Loan are made; 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; and

- (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 Bank 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."

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) "Basic Education" means the education services provided in the Borrower's territory for standards one to seven (corresponding to kindergarten and from the first to the sixth grades of schooling), as well as for forms one to three (corresponding to the seventh to the ninth grades of schooling);

(b) "CDU" means the Borrower's curriculum development unit referred to in Section 3.08 (a) of this Agreement;

(c) "Education Strategy Letter" means the Borrower's letter, satisfactory to the Association, to be provided to the Association pursuant to Section 5.01 (a) of this Agreement, describing: (i) the policy adopted by the Borrower to reform its education sector; (ii) the actions to be taken to effect such reform; and (iii) the Borrower's plans and programs with respect to: (A) the adjustment of teacher to student ratios; (B) the transfer of savings to strengthen MOE's management; and (C) the provision of instructional supplies and maintenance services to schools;

(d) "EPU" means the MOE's education planning and statistics unit referred to in Section 3.06 (a) of this Agreement;

(e) "ETX" means MOE's educational testing and examinations unit referred to in Section 3.07 (a) of this Agreement;

(f) "Loan Agreement" means the Agreement of even date herewith between the Borrower and the Bank for the Project, as such Agreement may be amended from time to time; and such term includes the "General Conditions Applicable to Loan and

Guarantee Agreements" of the Bank, dated January 1, 1985, as applied to such Agreement, and all schedules and agreements supplemental to the Loan Agreement;

(g) "MOE" means the Borrower's Ministry responsible for the portfolio of Education;

(h) "PD", means the Borrower's central planning division;

(i) "PMU" means the Project management unit referred to in Section 3.05 (a) of this Agreement;

(j) "Primary Education" means the education services provided in the Borrower's territory for standards one to seven of Basic Education (as herein defined);

(k) "Project Account" means the account referred to in Section 3.01 (b) of this Agreement;

(l) "Project Implementation Manual" means the manual, satisfactory to the Association, containing the procedures for implementation of the Project, including, inter alia:

- (i) the organizational arrangements and responsibilities of the various departments and agencies of the Borrower with respect to the implementation of the Project;
- (ii) the operational aspects of the execution of the Project;
- (iii) the disbursement and procurement arrangements;
- (iv) the financial management and control arrangements;
- (v) the terms of reference for: (A) internal and external audits; and (B) all PMU staff and consultants' services to be contracted under the Project;
- (vi) the monitoring and evaluation indicators for assessment of Project implementation performance; and
- (vii) the eligibility criteria for candidates for fellowships, training and study tours to be provided under the Project;

(m) "Secondary Education" means the education services provided in the Borrower's territory for forms one to three of Basic Education (as herein defined), and for forms four and five (corresponding to the tenth and eleventh grades of schooling); and

(n) "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 two million six hundred thousand Special Drawing Rights (SDR 2,600,000).

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 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 or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2001 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 per cent ( $3/4$  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 1 and September 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 1 and September 1 commencing March 1, 2006 and ending September 1, 2030. Each installment to and including the installment payable on September 1, 2015 shall be one and one-fourth per cent ( $1-1/4\%$ ) of such principal amount, and each installment thereafter shall be two and one-half percent ( $2-1/2\%$ ) 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 in accordance with the Project Implementation Manual, and in conformity with appropriate administrative, financial, educational and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation to the provisions of paragraph (a) of this Section, the Borrower shall at all times until the completion of the Project, operate and maintain, under terms and conditions satisfactory to the Association, in a bank acceptable to the Association, a revolving fund with a quarterly balance equivalent to the Borrower's

counterpart funding requirements for the next three months of Project implementation, as provided in the annual budget referred to in Section 3.04 (c) of 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 the Association not later than six 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.

Section 3.04. The Borrower shall:

(a) maintain procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the Project Implementation Manual, the carrying out of the Project;

(b) furnish to the Association, at the end of the months of March and September of each year until the completion of the Project, beginning in 1996, a report on the progress achieved in the carrying out of the Project during the six months preceding the date of said reports pursuant to the monitoring and evaluation indicators set forth in the Project Implementation Manual; said reports to be of such scope and detail as the Association may reasonably request;

(c) in each of the September reports referred to in paragraph (b) above, also recommend the measures deemed necessary to ensure the efficient completion of the Project and the achievement of the objectives thereof, including a budget, an investment plan and the targets to be achieved for the implementation of the Project during the succeeding calendar year; and

(d) review with the Association, during the month of November of each year until the completion of the Project, beginning in 1996, the corresponding September report furnished according to paragraph (b) above, and thereafter take all measures,

satisfactory to the Association, required to ensure the efficient completion of the Project and the achievement of the objectives thereof.

Section 3.05. The Borrower shall, without limitation upon the provisions of Section 3.01 of this Agreement:

(a) maintain a Project management unit with functions and responsibilities satisfactory to the Association which shall include, inter alia:

- (i) carrying out of Part A.1 (a) (iii) of the Project;
- (ii) coordination of the implementation of the Project;
- (iii) monitoring and evaluation of the Project;
- (iv) preparation of the reports referred to in Sections 3.03 (a) and 3.04 (b) of this Agreement;
- (v) processing of documentation required for disbursement of the Credit proceeds and for procurement of goods, works and services under the Project; and
- (vi) maintenance of the records and separate accounts referred to in Section 4.01 of this Agreement;

(b) ensure that PMU is at all times staffed with at least a Project manager, an accountant and a procurement officer. The Project manager, the accountant and the procurement officer shall be full-time professionals with functions and responsibilities satisfactory to the Association, and with qualifications acceptable to the Association, and shall be assisted by clerical staff in adequate numbers; and

(c) ensure that PMU is at all times provided with adequate facilities, satisfactory to the Association, to carry out its responsibilities.

Section 3.06. For the purposes of carrying out Part A.3 of the Project, the Borrower shall, without limitation upon the provisions of Section 3.01 of this Agreement:

(a) maintain during Project implementation an educational planning and statistics unit with functions and responsibilities satisfactory to the Association which shall include, inter alia:

- (i) collection and analysis of all statistical data related to the education sector; and
  - (ii) dissemination of the data produced in this unit;
- (b) ensure that EPU is at all times staffed with professionals, in numbers and with qualifications and responsibilities satisfactory to the Association, assisted by clerical staff in adequate numbers; and
- (c) ensure that EPU is at all times provided with adequate facilities, satisfactory to the Association, to carry out its responsibilities.

Section 3.07. For the purposes of carrying out Part B.1 (b) of the Project, the Borrower shall, without limitation upon the provisions of Section 3.01 of this Agreement:

- (a) not later than the date to be determined in the Education Strategy Letter, or such later date as the Association may agree upon, establish and maintain during Project implementation, an educational testing and examinations unit with functions and responsibilities satisfactory to the Association which shall include, inter alia:
- (i) the evaluation and modification, as appropriate, of current examinations given at the end of Primary Education;
  - (ii) the development of a pilot test and the introduction of new examinations for Basic Education; and
  - (iii) the development of norms for, and standards of, achievement for Basic Education;
- (b) ensure that ETX is at all times staffed with a number of professionals, satisfactory to the Association, with qualifications and responsibilities satisfactory to the Association, assisted by clerical staff in adequate numbers; and
- (c) ensure that ETX is at all times provided with adequate facilities, satisfactory to the Association, to carry out its responsibilities.

Section 3.08. (a) For the purposes of carrying out Parts B.1 (c) and B.2 of the Project, the Borrower shall, at all times during Project implementation, maintain CDU, within MOE, with functions and responsibilities satisfactory to the Association;

(b) ensure that CDU is at all times staffed with a number of professionals, satisfactory to the Association, with qualifications and responsibilities satisfactory to the Association, assisted by clerical staff in adequate numbers; and

(c) ensure that CDU is at all times provided with adequate facilities, satisfactory to the Association, to carry out its responsibilities.

Section 3.09. The Borrower shall maintain during Project implementation a Project advisory committee, established with representative from MOE, and from each of the Ministries responsible for the portfolios of Finance and Public Works to advise and counsel on matters related to Project implementation. The Project manager referred to in Section 3.05 (b) above, shall act as secretary to that committee.

Section 3.10. The Borrower shall comply with the teacher to student ratios set forth in the Education Strategy Letter for Primary Education and Secondary Education.

#### **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 four 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

### Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

- (a) that the Association has received the Education Strategy Letter;
  - (b) that the Association has received evidence, satisfactory to the Association,
- that:

- (i) the PMU and EPU have been established as provided in Sections 3.05 and 3.06 of this Agreement, respectively;
- (ii) the Project Account has been opened and an amount equivalent to not less than \$250,000 has been deposited therein;
- (iii) the Project Implementation Manual has been adopted; and
- (iv) all conditions precedent to the effectiveness of the Loan Agreement have been fulfilled, other than that related to the effectiveness of this Agreement.

Section 5.02. The date of May 27, 1996 is hereby specified for the purposes of Section 12.04 of the General Conditions.

**ARTICLE VI**

**Representative of the Borrower; Addresses**

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance  
Lagoon Road  
Saint George's, Grenada

Telex:  
3418

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (RCA)  
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.

GRENADA

By /s/ Denis Antoine

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Shahid Javed Burki

Regional Vice President  
Latin America and the Caribbean

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit  
and of the Loan**

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

| <u>Category</u>  | <u>Amount of the<br/>Credit Allocated<br/>(Expressed<br/>in SDR<br/>Equivalent)</u> | <u>Amount of the<br/>Loan Allocated<br/>(Expressed<br/>in Dollar<br/>Equivalent)</u> | <u>% of<br/>Expendi-<br/>tures<br/>to be<br/>Financed</u>           |
|--|---|--|---|
| (1) Civil Works:   |   |  |   |
| (a) Construction<br>of schools<br>and offices<br>for MOE | 1,180,000   | 1,760,000  | 72%   |
| (b) Rehabilita-<br>tion of schools                       | 238,000   | 356,000  | 72%   |
| (2) Goods  | 467,000   | 697,000  | 100% of foreign<br>expenditures<br>and 50% of local<br>expenditures |
| (3) Consultants'<br>services                             | 145,000   | 216,000  | 100%  |
| (4) Fellowships  | 240,000   | 359,500  | 95%   |
| (5) Studies and<br>local training                        | 65,000  | 96,500   | 50%   |
| (6) Unallocated  | 265,000   | 341,500  |   |
| TOTAL  | <u>2,600,000</u>  | <u>3,826,000</u>   |   |

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";

(c) the term "fellowships" includes, inter alia, tuition and travel and subsistence expenditures for the participants in courses and internships to be provided abroad under the Project; and

(c) the term "local training" includes, inter alia:

- (i) all the necessary activities and acquisitions of equipment and instructional materials for the training to be provided in the Borrower's territory under the Project;
- (ii) production of training materials;
- (iii) rental of training facilities; and
- (iv) transportation expenses of trainees to the place where training is provided and subsistence expenses for such trainees.

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

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed SDR 512,000 equivalent may be made on account of payments made for expenditures before that date but after October 1, 1995;

(b) payments made for expenditures made under Category (4) of the table in paragraph 1 of this Schedule, unless the candidates selected to receive the fellowships, as well as the selected training programs covered by such fellowships, have been agreed to by the Association before the fellowships are awarded; and

(c) payments made under Category (1) (b) of the table in paragraph 1 of this Schedule exceeding in the aggregate \$100,000 equivalent with respect to any school.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for: (a) expenditures for contracts for goods and works costing less than the equivalent of: (i) \$50,000 in the case of goods (other than the contracts awarded pursuant to the provisions of Part C.1 of Schedule 3 to this Agreement); and (ii) \$100,000 in the case works; and (b) payments under Categories 4 and 5 of the table set forth in paragraph 1 of this Schedule.

## **SCHEDULE 2**

### **Description of the Project**

The objectives of the Project are to strengthen the institutional capacity of: (a) MOE to: (i) guide and carry out the long-term development of the Borrower's education sector; (ii) enhance the quality of Basic Education and the equity of access to it; and (iii) expand access to Secondary Education; and (b) PD to conduct macro-economic and social sector planning to better support MOE's planning and development efforts.

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: Strengthening Management and Planning**

1. Strengthening of: (a) MOE's institutional capacity through, inter alia, the provision of technical assistance and training: (i) to manage the Borrower's education sector in order to, inter alia: (A) improve the coordination among key operational units of MOE; and (B) restructure and strengthen the organization of the head office of MOE (establishing new units or reinforcing existing units); (ii) to prepare and develop a long-term development plan for the Borrower's education sector, including the programs and projects thereof; (iii) for the management of projects; and (iv) for financial management of the education sector; and (b) the institutional capacity of PD to conduct macro-economic and social sector planning, including the provision of the necessary technical assistance and goods therefor.
2. Provision of technical assistance for the carrying out of auditing activities under the Project.
3. Development of an integrated education data system to provide student, school, financial and personnel information on the Borrower's education sector.
4. Carrying out of studies to formulate future policy and programs for the Borrower's education sector.
5. Construction of new office facilities for MOE and the provision of the necessary goods for these facilities.

#### **Part B: Quality of Basic Education**

1. Strengthening of: (a) training for teachers of Basic Education; (b) MOE's testing and measurement capacity to monitor performance of the Borrower's educational system and of students therein; (c) the MOE's curriculum development and evaluation capacity; and (d) MOE's

capacity to supervise Primary Education and Secondary Education, all through the provision of technical assistance and the acquisition of the necessary goods therefor.

2. Improvement of MOE's capacity for the acquisition, production and distribution of educational materials for Primary Education and Secondary Education, through the provision of technical assistance and the acquisition of the necessary goods therefor.

**Part C: Expansion of Access to Education**

1. Increase of the number of Secondary Education places for students in under-served school districts in the Borrower's territory, through, inter alia, the provision of technical assistance and new facilities, and the acquisition of the necessary goods therefor.

2. Construction and provision of supplementary furniture and equipment for new facilities for Primary Education schools, and provision of technical assistance therefor.

3. Rehabilitation of Primary Education and Secondary Education facilities in the Borrower's territory.

\* \* \*

The Project is expected to be completed by December 31, 2000.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods 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 (the Guidelines) and the following provisions of this Section, as applicable.

##### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works 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. To the extent practicable, all contracts for goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B, shall be grouped into bid packages estimated to cost the equivalent of \$50,000 or more each.

##### Part C: Other Procurement Procedures

##### 1. Limited International Bidding

Computer hardware and software estimated to cost \$50,000 equivalent or more per contract, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

##### 2. National Competitive Bidding

Works estimated to cost \$100,000 equivalent or more but less than \$500,000 equivalent per contract and \$1,000,000 equivalent or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

##### 3. International Shopping

Goods estimated to costs \$15,000 equivalent or more but less than \$50,000 equivalent per contract and \$900,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of international-shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. National Shopping

Goods estimated to cost less than the equivalent of \$15,000 per contract and \$300,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraph 3.5 and 3.6 of the Guidelines.

5. Procurement of Small Works

Works estimated to cost less than the equivalent of \$100,000 per contract, and \$1,000,000 equivalent or less in the aggregate, may be procured under lumpsum, fixed price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to successfully complete the contract.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or 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 to be awarded pursuant to the provisions of Parts B.1, C.1 and C.2 of this Section, 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

Consultants' services shall be procured under contracts awarded in accordance with the provisions 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. For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

## **SCHEDULE 4**

### **Special Account**

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4) and (5) 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 \$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 equivalent to \$250,000 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 \$1,000,000.

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 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 in 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) 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 applicable General Conditions; or

- (d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the Project, 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 and the Loan allocated to the eligible Categories for the Project 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, as the case may be, for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this agreement.

INTERNATIONAL DEVELOPMENT ASSOCIATION

CERTIFICATE

I hereby certify that the foregoing is a true copy  
of the original in the archives of the International  
Development Association.

S. N. Chis  
FOR SECRETARY