


**TRANSMITTAL OF OFFICIAL DOCUMENTS**

TO: Official Documents Desk

DATE: October 18, 2004

FROM: Pilar González, Counsel, LEGLA 

EXTENSION: 30636

SUBJECT: **Guyana: The Education for All Fast Track Initiative Catalytic Trust Fund ("EFA-FTI Catalytic Trust Fund") Grant for the Guyana Education for All Fast Track Initiative (Grant No. 053679)**

Attached is the original of Official Document described below for safekeeping and IRIS4 filing.

Description of Document	Notes/Comments
Original Letter Agreement dated September 20, 2004, signed by Ms. Caroline Anstey, Director, Caribbean Country Management Unit, Latin America and the Caribbean Region, and countersigned on September 28, 2004 by Mr. Saisnarine Kowlessar, Minister of Finance of Guyana.	
No. of Pages attached: 16	

*Specimen for EFA Grant IF #*

*As Filed*

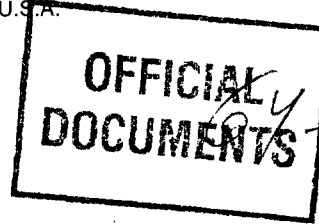
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**The World Bank**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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September 20, 2004

(53679)

The Honorable Saisnarine Kowlessar  
Minister of Finance  
Ministry of Finance  
P.O. Box 757  
Main and Urquhart Street  
Georgetown 02-592  
Guyana

Re: The Education for All Fast Track Initiative Catalytic Trust Fund ("EFA-FTI Catalytic Trust Fund") Grant for the Guyana Education for All Fast Track Initiative (Grant No. 053679)

Honorable Minister Saisnarine Kowlessar:

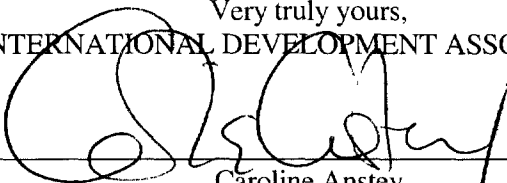
I am writing on behalf of the International Development Association (the Association) to indicate the Association's agreement, as administrator of grant funds provided by the EFA-FTI Catalytic Trust Fund, to make a grant in an amount not exceeding four million United States Dollars (US\$ 4,000,000) (the Grant) to the Co-Operative Republic of Guyana (the Recipient).

The Grant is made in response to the Recipient's request for financial assistance and for the purposes and on the terms and conditions set forth in the Annex to this Letter Agreement. The Recipient represents, by confirming its agreement below, that it is authorized to contract and withdraw the Grant for the said purposes and on the said terms and conditions.

Please note that it is the Association's policy to make publicly available this Letter Agreement and any information related thereto, after this Letter Agreement has become effective and the Recipient has given its consent to such disclosure. The Recipient, by countersigning this Letter Agreement, confirms its consent to such disclosure.

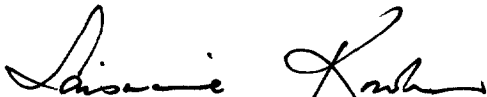
Please confirm your agreement with the foregoing, on behalf of the Recipient, by signing, dating, and returning to us the enclosed copy of this Letter Agreement. Upon receipt by the Association of: (i) the copy of this Letter Agreement countersigned by you; and (ii) evidence that the auditors referred to in paragraph 5 (b) of the Annex to this Letter Agreement have been appointed, this Letter Agreement will become effective as of the date of the countersignature.

Very truly yours,  
INTERNATIONAL DEVELOPMENT ASSOCIATION

By   
Caroline Anstey  
Director  
Caribbean Country Management Unit  
Latin America and the Caribbean Region

AGREED:

CO-OPERATIVE REPUBLIC OF GUYANA



The Honorable Saisnarine Kowlessar  
Minister of Finance

Date: 28/9/04

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Annex to the Letter Agreement**Purposes, Terms, and Conditions of the Grant**1. Purposes and Activities

1.1. The purpose of the Grant is to support the Recipient in attaining the goal of universal primary school completion for girls and boys by the year 2015 through the Education For All Fast Track Initiative (the EFA-FTI) established by the International Bank for Reconstruction and Development and the Association (collectively, the Bank) in June 2002 in collaboration with a number of other entities (each, together with the Bank, the EFA-FTI Partners), and particularly through the implementation of the Recipient's EFA-FTI Country Proposal dated September 30, 2002 and endorsed by the EFA-FTI Partners on November 27, 2002 (the Guyana EFA-FTI Proposal), which is part of the Recipient's Endorsed Education Sector Plan, as defined in the Agreement between the Government of the Republic of Italy and the Bank, concerning the EFA-FTI Catalytic Trust Fund (TF No. 051061), dated December 9, 2003.

1.2. The activities (the Activities) for which the Grant is given are as follows:

(a) Improving the quality of the teaching force in the Recipient's hinterland by:

(i) establishing satellite learning centers for teachers within a school cluster;

(ii) improving the conditions of service for the primary school teachers by providing:

(A) teacher housing, and

(B) remote areas incentives (the RA Incentives) that would function as a top up for a supplement currently provided to the Recipient's hinterland teachers in order to allow teachers the same level of bonus type payment that other comparable professionals in the hinterland receive.

(b) Enhancing the teaching/learning environment in the Recipient's primary schools by:

(i) establishing child-friendly classrooms in coastland schools;

(ii) improving the status of utilities across all schools (water supply, sanitary facilities, and electricity); and

(iii) providing textbooks for primary school students.

(c) Strengthening school community partnerships by:

(i) accelerating the implementation of school improvement plans through the provision of school improvement plan grants (the SIP Grants) to primary schools that meet the criteria set forth in the Operational Manual;

(ii) upgrading the Recipient's present school feeding program through provision of school-feeding grants (the School Feeding Grants) to schools that meet the criteria set forth in the Operational Manual.

(d) Carrying out the audits required under paragraph 5 (b) of this Annex.

## 2. Implementation Generally

2.1. The Recipient, through its Ministry of Education (the MoE), shall: (a) carry out the Activities with due diligence and efficiency and in accordance with the Operational Manual referred to in paragraph 2.2 (a) below and the Strategy/Outreach Program referred to in paragraph 2.2 (b) below; (b) promptly provide the funds, facilities, services and other resources required for that purpose; (c) furnish all information covering the Activities and the use of the proceeds of the Grant as the Association shall reasonably request; (d) from time to time exchange views with the Association's representatives on the progress and results of the Activities; (e) take all necessary measures required to enable the Association to visit the territory of Guyana for purposes related to the Grant; and (f) cause all goods and services financed out of the proceeds of the Grant to be used exclusively for the purposes of the Grant. Without limitation on the foregoing, the Recipient, through its MoE, shall, if the Association shall so request, prepare and furnish to the Association promptly upon completion of the Activities a report, in form and substance satisfactory to the Association, on the results and impact of the Activities.

2.2 (a) The Recipient shall prepare an operational manual (the Operational Manual) satisfactory to the Association which shall include, *inter alia*: (i) with respect to the activities under paragraph 1.2 (c) of this Annex: eligibility criteria of beneficiaries, specific activities to be financed, distribution of financing, environmental procedures and procurement procedures on the basis of community participation; and (ii) other operational procedures applicable to the carrying out of the Activities.

(b) The Recipient shall carry out, in accordance with its terms, a strategy/outreach program (the Strategy/Outreach Program) satisfactory to the Association, which ensures that indigenous peoples are involved in the planning of the Activities, have access to the funds and initiatives of the Guyana EFA-FTI Proposal and will benefit from the Activities.

2.3 The Recipient shall ensure that, unless the Association shall otherwise agree:

(a) school improvement activities under paragraph 1.2 (c) (i) of this Annex shall be carried out in accordance with the procedures set forth in the Operational Manual;

(b) no physical or involuntary resettlement (as interpreted in accordance with the Association's Operational Policy 4.12 (OP 4.12) shall take place as a consequence of carrying out of the Activities;

(c) if any school-improvement activity affects indigenous peoples, the Recipient, through MoE, shall ensure that such people be allowed to have informed participation with regard to the design and implementation of such activities, participate systematically in the monitoring and evaluation thereof, and in general, derive benefits from such activities; and

(d) each school to be benefited by the activities under paragraph 1.2 (c) above: (i) commits to monitor and supervise such activities; (ii) commits to participate in accordance with the provisions set forth in the Operational Manual.

2.4 (a) The Recipient, through its MoE, shall enter into an agreement with each school selected to receive a SIP Grant or a School Feeding Program Grant, under terms and conditions satisfactory to the Association, which shall provide, *inter alia*, the obligation of the selected beneficiary to carry out the activities to be financed out of a SIP Grant or a School-Feeding Plan in accordance with the terms and conditions of this Letter Agreement and the Operational Manual.

(b) The Recipient, through its MoE shall exercise its rights and carry out its obligations under the agreements referred to in paragraph (a) above in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Grant, and except as the Association may otherwise agree, the Recipient shall not assign, amend, abrogate, suspend, waive, terminate or fail to enforce any such agreement or any provision thereof.

2.5 The Recipient shall, throughout the course of the implementation of the Activities:

(a) maintain, within the MoE, the planning unit (the PU), to be staffed with, *inter alia*: (i) an EFA-FTI coordinator; (ii) a financial specialist and accounting clerk; (iii) a procurement specialist; (iv) a small works specialist; and other personnel in numbers and with qualifications and experience satisfactory to the Association, to coordinate the implementation of the Activities;

(b) ensure that all technical aspects of the Activities are executed by the corresponding technical units within the MoE and Guyanese regional authorities in coordination with the PU.

2.6 Without limitation to the reporting obligations set forth in paragraph 5 below, the Recipient, through the MoE, shall:

(a) prepare, under terms of reference satisfactory to the Association, an annual work plan for each year of Activity implementation (the Annual Work Plan) recommended to ensure the efficient carrying out of the Activities and the achievement of the objectives of the Grant during the period following such date, which shall include: (i) a time table of the Activities to be carried out; (ii) a complete, detailed description of all the Activities planned for the year under each part of the Guyana EFA-FTI Proposal; (iii) a list of the specific persons designated to carry out said Activities; and (iv) the updated Procurement Plan referred to in Section 3.1 below;

(b) maintain policies, systems and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators, benchmarks and targets set forth in the Guyana EFA-FTI Proposal, the carrying out of the Activities in accordance with the Annual Work Plan and the achievement of the objectives of Grant.

(c) prepare, under terms of reference satisfactory to the Association, and furnish to the Association and to the education thematic group referred to in the attachments to the letter dated June 10, 2002 from Mr. Roger F. Luncheon to Mr. Richard Olver (the Education Thematic Group), not later than three months after the date of this Letter Agreement and quarterly thereafter during the period of Activity implementation, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (b) of this Section, on the progress achieved in the carrying out of the Activities during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Activities and the achievement of the objectives thereof during the period following such date; and

(d) review each such report with the Association and the Education Thematic Group shortly after the date of such report, and thereafter take all measures required to ensure the efficient

completion of the Activities 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.

3. Procurement

3.1. (a) Except as the Association shall otherwise agree, procurement of goods, works and services required for the carrying out of the Activities and to be financed out of the proceeds of the Grant shall be governed by the provisions of Attachment II to this Annex, as said provisions may be further elaborated in a procurement plan approved by the Association (the Procurement Plan), covering the initial 12 month period (or longer) of implementation of the Activities. The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association no later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

3.2. The Recipient, through its MoE, shall ensure that all imported goods to be financed out of the proceeds of the Grant shall be insured against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and that any indemnity for such insurance is payable in a freely usable currency to replace or repair such goods. The Recipient, through its MoE, shall ensure that any facilities relevant to the Activities are at all times operated and maintained in accordance with appropriate practices and that any repairs or renewals of such facilities are promptly made as needed.

4. Withdrawal of Grant Proceeds

4.1. The amount of the Grant shall be credited to an account opened by the Association on its books in the name of the Recipient (the Grant Account), and may be withdrawn therefrom by the Recipient in accordance with the provisions of Attachment I to this Annex, for expenditures in respect of the reasonable cost of goods, works, services, RA Incentives, SIP Grants, School Feeding Grants and Operational Costs required for the Activities and to be financed out of the proceeds of the Grant (Eligible Expenditures).

5. Accounts and Audits

(a) The Recipient 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 Activities.

(b) The Recipient shall: (i) have the financial statements referred to in subparagraph (a) above for each such fiscal year (or other period agreed to by the Association), 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 four months after the end of each such year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in subparagraph (a) above for such year (or such other period agreed to by the Association), 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 of such financial statements, and concerning said auditors, as the Association shall have reasonably requested.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of reports referred to in Part A.6 of Attachment I to this Letter Agreement (Report-based disbursements) or on the basis of statements of expenditure, the Recipient shall: (i) retain, until at least one year after the Association has received the audit report for or covering the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures; (ii) enable the Association's representatives to examine such records; and (iii) ensure that such statements of expenditure are included in the audit for each fiscal year, or other period agreed to by the Association, referred to in subparagraph (b) above.

(d) The Recipient, through MoE, shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Activities, both cumulatively and for the period covered by said report, showing separately funds provided under the Grant, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in the implementation of the Activities, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Activity implementation; and
- (iii) sets forth the status of procurement under the Activities, as at the end of the period covered by said report.

(e) The first Financial Monitoring Report (FMR) shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the signature of this Letter Agreement, and shall cover the period from the incurrence of the first expenditure under the Grant through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## 6. Suspension and Cancellation

6.1. The Association may at any time, by notice to the Recipient, suspend the right of the Recipient to make further withdrawals from the Grant Account if any of the following events has occurred and is continuing: (a) the Recipient has failed to comply with any of its obligations herein specified; or (b) the right of the Recipient, or any other entity to which the International Bank for Reconstruction and Development (the IBRD) has made a loan with the guarantee of Guyana, to make withdrawals under any loan agreement with the IBRD or any development credit agreement with the Association shall have been suspended.

6.2. The Association may, by written notice to the Recipient, terminate the right of the Recipient to make further withdrawals from the Grant Account: (a) at any time after the right of the Recipient to make withdrawals from the Grant Account shall have been suspended pursuant to the provisions of paragraph 6.1 above; or (b) if the Recipient shall have failed to take action, satisfactory to the Association, within six months after the effective date hereof, to carry out the Activities.

### Withdrawal of the Proceeds of the Grant

#### A. General

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

<u>Category</u>	<u>Amount of the Grant Allocated in US Dollars</u>	<u>% of Expenditures to be Financed</u>
(1) Works	160,000	100%
(2) Goods	2,990,000	100%
(3) Consultants' services	40,000	100%
(4) RA Incentives	300,000	100%
(5) SIP Grants	110,000	100%
(6) School Feeding Grants	100,000	100%
(7) Operational Costs	300,000	100%
TOTAL	4,000,000	

2. For the purposes of this Attachment:

(a) the term "Eligible Expenditures" means expenditures for goods, works, services RA Incentives, SIP Grants, School Feeding Grants and Operational Costs referred to in paragraph 4.1 of the Annex to this Letter Agreement;

(b) the term "Eligible Categories" means the categories set forth in the table in Part A.1 of this Attachment I;

(c) the term "Report-based Disbursements" means the Recipient's option for withdrawal of funds from the Grant Account referred to in Part A.6 of this Attachment I;

(d) the term "Special Account" means the account referred to in Part B of this Attachment I;

(e) the term "RA Incentives" means the remote areas incentives provided to teachers under paragraph 1.2 (a) (2) (B) of the Annex to this Letter Agreement;

(f) the term "SIP Grants" means the grants to be provided under paragraph 1.2 (c) (1) of the Annex to this Letter Agreement;

(g) the term "School Feeding Grants" means the grants to be provided under paragraph 1.2 (c) (2) of the Annex to this Letter Agreement; and

(h) the term "Operational Costs" means reasonable expenditures which would not have been incurred absent the Activities, for office supplies and other consumables, salaries of incremental PU staff, travel, transportation and accommodations.

3. Notwithstanding the provisions of paragraph 1 above:

(a) No withdrawals shall be made from the Grant Account: (i) for payments made for expenditures prior to the date of signature of this Letter Agreement by the Association, except that withdrawals, in an aggregate amount not exceeding four hundred thousand US dollars (US\$ 400,000) may be made on account of payments made for expenditures before that date but after June 28, 2004; or (ii) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the Association's knowledge, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

(b) No withdrawals shall be made from the Grant Account after August 31, 2007 or such later date that the Association shall establish by notice to the Recipient (the Closing Date). However, withdrawals may be made after the Closing Date for expenditures incurred prior to the Closing Date if the corresponding withdrawal application is received by the Association within four months after the Closing Date, after which time any amount of the Grant remaining unwithdrawn from the Grant Account shall be canceled.

(c) If, in the Association's opinion, an amount of the Grant allocated to any of the Categories in the table in paragraph 4.2 above will be insufficient to finance the expenditures under such Category, the Association may, by written notice to the Recipient, reallocate to such Category an amount of the Grant then allocated to another Category which, in the Association's opinion, will not be necessary to meet other expenditures.

4. When the Recipient shall desire to withdraw any amount from the Grant Account, it shall deliver to the Association a written application for withdrawal of such amount in the form specified by the Association. Withdrawal applications shall be: (a) signed on behalf of the Recipient by its Minister of Finance or such other person as he or she shall have authorized in writing; and (b) accompanied by such evidence in support of the application as the Association shall reasonably request. Authenticated specimen signatures of the person authorized to sign withdrawal applications shall be provided with the first application bearing his or her signature. Each withdrawal application for an amount of the Grant and its supporting evidence must be sufficient in form and substance to satisfy the Association that the Recipient is entitled to withdraw such amount from the Grant Account and that such amount is to be used in the carrying out of the Activities. The Association shall pay the amounts withdrawn by the Recipient from the Grant Account only to or on the order of the Recipient.

5. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than US\$25,000 per contract; (b) works costing less than US\$50,000 per contract; (c) services of consulting firms costing less than US\$100,000 per contract; (d) services of individual consultants costing less than US\$30,000 per contract; (e) RA Incentives; (f) SIP Grants; (g) School-Feeding Grants; and (i) operational costs, all under such terms and conditions as the Association shall specify by notice to the Recipient.

6. The Recipient may request withdrawals from the Grant Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Recipient (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Grant Account, the Recipient shall submit to the Association only a statement with the projected sources and applications of funds for the Activities for the three-month period following the date of such request.

7. Withdrawals of the proceeds of the Grant shall be made in the currency of the Grant. The Association, at the Recipient's request and acting as an agent of the Recipient, shall purchase with the currency of the Grant withdrawn from the Grant Account such currencies as shall be required to pay for expenditures to be financed out of the proceeds of the Grant. Whenever it shall be necessary, for the purposes of this Letter Agreement, to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Association.

#### B. Special Account

1. The Recipient may open and maintain in US Dollars a special deposit account in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Grant Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Recipient is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Attachment 1; and

(b) if the Recipient is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Attachment 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the Special Account, the Recipient 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.

4. Notwithstanding the provisions of Part B.2 of this Attachment, the Association shall not be required to make further deposits into the Special Account:

- (a) if the Association, at any time, is not satisfied that the reports referred to in Part A.6 of this Attachment 1 adequately provide the information required for Report-based Disbursements;
- (b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the Grant Account; or
- (c) if the Recipient shall have failed to furnish to the Association, within the period of time specified in paragraph 5 (b) of the Annex to this Letter Agreement, any of the audit reports required to be furnished to the Association pursuant to said paragraph in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Attachment I if, at any time, the Association shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to paragraph 6 of the Annex to this Letter Agreement. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Recipient shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or 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. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the three-month period following such determination, the Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Recipient 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 subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Letter Agreement.

**Annex A**

to

**Attachment I****Operation of Special Account  
When Withdrawals Are Not  
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of US\$400,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. 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 Recipient shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested.

(b) For replenishment of the Special Account, the Recipient shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Attachment I to this Agreement 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 Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient 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. Each such deposit into the Special Account shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Grant minus the total amount of all outstanding special commitments entered into by the Association pursuant to paragraph 4 below shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant shall follow such procedures as the Association shall specify by notice to the Recipient. 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.

4. Upon the Recipient’s request and upon such terms and conditions as shall be agreed upon between the Recipient and the Association, the Association may enter into special commitments in writing to pay amounts to the Recipient or others in respect of expenditures to be financed out of the proceeds of the Grant notwithstanding any subsequent suspension or cancellation by the Association or the Recipient.

**Annex B**  
**to**  
**Attachment I**

**Operation of Special Account  
When Withdrawals Are  
Report-based Disbursements**

1. Withdrawals from the Grant Account shall be deposited by the Association into the Special Account in accordance with the provisions of Attachment 1 to this Letter Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.
  
2. Upon receipt of each application for withdrawal of an amount of the Grant, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.6 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the three-month period following the date of such reports.

## Procurement

### Section I. General

A. All goods, works and services (other than consultants' services) 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 Procurement Guidelines), and with the provisions of this Attachment.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Recipients" dated May 2004 (the Consultant Guidelines), and with the provisions of this Attachment.

C. 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, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient.

#### B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$100,000 equivalent per contract and works estimated to cost less than \$1,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. Goods estimated to cost less than \$25,000 equivalent per contract and works estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

3. 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.

4. Community Participation. Goods, works and services required for grants under the Activities referred to in paragraph 1.2 (c) of the Annex to this Letter Agreement may be procured on the basis of community participation in accordance with the procedures set forth in the Operational Manual.

### 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. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

#### B. Other Procedures

1. 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.

2. Selection Based on Consultants' Qualifications. Services 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, 3.7 and 3.8 of the Consultant Guidelines.

3. 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

A. Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association:

1. (a) each contract for works procured on the basis of International Competitive Bidding; (b) the first contract for works procured on the basis of National Competitive Bidding; and (c) the first contract for works procured on the basis of Shopping;

2. (a) each contract for goods procured on the basis of International Competitive Bidding; (b) the first contract for goods procured on the basis of National Competitive Bidding; (c) the first contract for goods procured on the basis of Direct Contracting (other than goods required for the Activities referred to in paragraph 1.2 (c) of the Annex to this Letter Agreement); (d) the first contract for goods required for the Activities referred to in paragraph 1.2 (c) (i) of the Annex to this Letter Agreement; and (v) the first contract for goods required for the Activities referred to in paragraph 1.2 (c) (ii) of the Annex to this Letter Agreement; and

3. each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more.

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

B. Notwithstanding the provisions in Part A of this Section IV:

1. The record of justification referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines for each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more shall be subject to Prior Review by the Association.

2. With respect to each contract for consultants' services provided by a firm that is not subject to Prior Review and each contract for the employment of individual consultants that is not covered by paragraph B.1 above, the terms of reference shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.