

PROJET D'EDUCATION GENERALE (PEG)

PROTOCOLE D'ACCORD

Ministère de l'Education Nationale,
de la Jeunesse et des Sports, Centre Pédagogique de Recherche et de
Développement, et le Conseil de Développement et de Reconstruction

Le Ministère de l'Education Nationale, de la Jeunesse et des Sports (MENJS), le Centre Pédagogique de Recherche et de Développement (CPRD), et le Conseil de Développement et de Reconstruction (CDR) s'engagent à assurer la bonne exécution, la gestion, et la coordination du Projet d'Education Générale selon les termes ci-dessous mentionnés:

1. Structure organisationnelle

La structure d'exécution du projet sera composée de trois entités: un Comité de Pilotage, une unité de gestion, et un ensemble d'agences d'exécution.

Sous la présidence de Son Excellence Monsieur le Ministre de l'Education Nationale, de la Jeunesse et des Sports, un Comité de Pilotage assurera la cohérence de l'ensemble du projet pour maintenir la compatibilité des actions entreprises et des politiques du secteur de l'éducation.

Le CPRD est chargé d'établir une Unité de Gestion du Projet (UGP). Sous la supervision directe du Président du CPRD, l'UGP gère et coordonne l'ensemble des activités du projet. Elle assure aussi la gestion financière, la planification du projet, et les procédures de la passation des marchés (partie du prêt non exécutée par le CDR). Elle sera composée d'un coordonateur, d'un gestionnaire financier, d'au moins un comptable, d'un responsable des passations de marchés, d'un responsable de la planification/suivi et de l'évaluation du projet, d'un conseiller technique en éducation et du personnel d'appui nécessaire.

Le CDR est chargé de l'exécution des activités relatives aux constructions et extensions d'écoles, ainsi que de l'achat des équipements sous les parties B et C telles que définies dans l'accord de prêt. Un responsable est désigné afin d'assurer le suivi des activités.

Les activités sous les parties B et C seront exécutées tantôt par la Direction Générale de l'Education Nationale, tantôt par le CPRD, ou par l'Inspection pédagogique et ce selon leurs prérogatives respectives. Chaque agence exécutrice désignera un responsable administratif chargé de l'exécution des composantes qui relèvent de leur champs d'action.

2. Gestion financière du projet

Deux comptes spéciaux seront ouverts pour déposer les avances de la Banque mondiale: un par le CDR (compte A) et un par le CPRD (compte B). Le CDR informera régulièrement et en temps réel l'UGP concernant les paiements effectués pour les dépenses dont ils sont responsables. L'UGP transmettra au CDR mensuellement toute information relative aux montants décaissés, aux contrats signés, ainsi que les budgets annuels. Le manuel de procédure précisera les formats et contenus de l'information à transmettre.

Chaque partie est tenue d'assurer la contrepartie financière qui incombe à l'exécution des activités dont elle a la charge.

3. Passation de marchés

Le CDR sera responsable des passations de marchés liées aux activités de construction et d'extension d'écoles, ainsi que de celles des biens selon les catégories déterminées par l'accord de prêt. Le CPRD sera responsable des passations de marchés de services de consultant et de formation liées aux parties B, C, et D telles que définies par l'accord de prêt ainsi que des équipements nécessaires au bon fonctionnement de l'UGP (partie D). Le partage des tâches entre le CDR et l'UGP concernant la composante relative aux constructions et extension d'écoles et la passation des marchés de biens est précisé en annexe de ce document.

4. Planification et suivi des activités

Sur la base de la planification initiale incluse dans le Manuel d'Exécution du Projet réalisé lors de la préparation du projet, la cellule de planification et de suivi de l'UGP mettra en place le planning général d'exécution du projet en accord avec les différentes entités concernées. Chaque année, à une date précisée dans le manuel de procédure un planning détaillé de l'année suivante sera élaboré et servira d'outil de planification budgétaire. La cellule effectuera: (i) le suivi de ce planning, (ii) le suivi des indicateurs de progrès, (iii) d'impact, et (iv) de performance définis dans les documents du projet.

L'UGP et le CDR se maintiendront mutuellement informés et ce de façon régulière quant à l'évolution de l'exécution des composantes qui relèvent de leur responsabilité réciproque.

5. Coordination des activités

Le coordonnateur du projet invitera les entités responsables de l'exécution du projet à des réunions mensuelles ou quand jugé nécessaire pour assurer une bonne circulation de l'information, pour prendre connaissance des difficultés d'exécution éventuelles pouvant provoquer des retards d'exécution et pour discuter des solutions envisagées.

Afin d'assurer une coordination stratégique et cohérente, le Comité de Pilotage se réunira tous les trois mois et statuera, sur la base des rapports trimestriels du Coordinateur, sur la situation du projet et en particulier sur son adéquation: (i) avec les objectifs du projet, et (ii) la stratégie de l'éducation poursuivie par le Ministère.

6. Rapports

6.1 Rapports d'avancement. L'UGP sera responsable de produire les rapports d'avancement du projet tous les trois mois. Ce rapport comprendra le suivant: la situation des activités réalisées durant les derniers mois; les activités prévues durant les prochains six mois; la situation financière du projet par catégorie et par composante; et la situation des passations de marchés et la gestion des contrats.

6.2 Rapports spéciaux. Pendant l'exécution du projet, l'UGP pourra décider de faire élaborer, par des consultants indépendants, tout rapport nécessaire pour une meilleure compréhension du déroulement et de l'impact du projet (audits techniques et enquêtes auprès des bénéficiaires).

6.3 Rapport de revue à mi-parcours du projet. L'UGP enverra trois mois avant la mission d'évaluation de mi-parcours effectuée par la Banque mondiale une copie du rapport ci-dessus mentionné.

6.4 Rapport d'achèvement de projet. A la fin du projet, un rapport sur l'impact du projet sera préparé conjointement entre la Banque mondiale et le Gouvernement. Ce rapport fera l'état des succès et des échecs éventuels du projet et évaluera l'apport du projet à la stratégie de l'éducation au Liban.

Annexe

Matrice de responsabilités: Activités exécutées par le CDR en collaboration avec le CPRD/UGP

Activités	CPRD/UGP					CDR				
	Réalise	Consulté	Conjoint	Informé	Réalise	Consulté	Conjoint	Informé		
1-Architectes/ingénieurs										
Termes de référence										
Dossier de consultation										
Evaluation du dossier de consultation										
Envoie à la Banque pour demande de non-objection										
Signature de contrat										
Evaluation du projet préliminaire d'architecte										
Evaluation de l'avant projet sommaire										
Evaluation du projet détaillé										
Dossier appel d'offre										
Suivi de l'exécution										
Réception										
2-Appel d'offres : constructions et extensions d'écoles										
Dossier appel d'offres										
Lancement appel d'offre										
Ouverture des plis										
Evaluation des propositions										
Envoie à la Banque pour demande de non-objection										
Signature de contrat										
Suivi des travaux										
3-Appel d'offres : mobilier et équipement										
Spécifications techniques										
Préparation des dossiers appel d'offres										
Finalisation des dossiers d'appel d'offres										
Lancement appel d'offre										
Ouverture des plis										
Evaluation des propositions										
Envoie à la Banque pour demande de non-objection										
Signature de contrat										
Réception										

Activités	CPRD/UGP				CDR			
	Réalise	Consulté	Conjoint	Informé	Réalise	Consulté	Conjoint	Informé
4-Gestion financière (Compte A)								
Ouverture du Compte Spécial								
Préparation de procédures relationnelles								
Préparation du budget annuel								
Envoi des demandes de retrait de fonds de prêt								
Demande de retrait de fonds de contre partie								
Avis de paiement								
PMRs								
Nomination des auditeurs et renouvellement de contrat								

LEBANESE REPUBLIC

Mr. _____, 2000
Regional Vice President
Middle East and North Africa
International Bank for Reconstruction and Development
1818 H Street, NW
Washington, D.C.
United States of America

Re: Loan No. _____ LEB
(General Education Project)
Action Plan
Section 1.02(a) of and Part B.3 of Schedule 2 to the Loan Agreement

Mr. Vice President:

We refer to the attached Action Plan mentioned in Section 1.02(a) of and Part B.3 of Schedule 2 to the Loan Agreement of even date herewith between the Lebanese Republic (the Borrower) and the International Bank for Reconstruction and Development (the Bank), to be implemented by the Borrower for the rationalization of teacher management and school distribution.

Very truly yours,

LEBANESE REPUBLIC

By _____
Authorized Representative

AGREED AND CONFIRMED:

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By _____
Regional Vice President
Middle East and North Africa

Attachment

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PLAN D'ACTION

pour la

RATIONALISATION DE LA GESTION DES RESSOURCES HUMAINES

Informations Générales: Une étude réalisée dans le cadre de la préparation du Projet d'Education Générale (PEG) a montré l'ampleur et la nature des dysfonctionnements existant dans le corps enseignant au niveau pré-secondaire: surplus globaux, déséquilibres prononcés entre établissements, manquements au service, faiblesse de la qualification, non respect des textes relatifs aux nominations et transferts des enseignants, etc.

Ces dysfonctionnements représentent un grave manque d'efficacité et aboutissent à des coûts importants pour la collectivité, alors même que le pays est confronté à des difficultés budgétaires sévères, et que le Gouvernement est amené à suivre une politique d'austérité. Aussi, la composante Rationalisation de la Gestion du Personnel Enseignant (1.2) du PEG est consacrée entièrement à l'assainissement de cette situation. Le document de projet relatif à cette composante décrit dans le détail les objectifs de la composante, les activités, les intrants et les extrants, les coûts associés et le calendrier de son exécution. Ce Plan d'Action reprend le calendrier des mesures que le Ministère de l'Education Nationale, de la Jeunesse et des Sports (MENJS) s'engage à prendre pour s'attaquer à ce problème.

Objectif: Le Ministère de l'Education Nationale se propose de rationaliser et d'améliorer la gestion du personnel enseignant.

Action: Les mesures à entreprendre sont de trois types et couvrent aussi bien l'enseignement de base que l'enseignement secondaire. Elles sont les suivantes: (i) identification et résorption des surplus d'enseignants, (ii) reconnaissance et régularisation de la situation des enseignants n'assurant pas de service à l'école, (iii) mise en œuvre de nouvelles lois et mise à jour et respect des textes relatifs au service dans les écoles, et (iv) mise en place de mesures et de structures préventives.

Calendrier et activités:

Le calendrier démarre à l'entrée en vigueur du projet (E), et les dates sont exprimées en mois. Quant aux actions (A), elles sont présentées par ordre chronologique.

E + 1 A1. Mise sur pied (par arrêté ministériel) d'une Commission nationale (commission n°1) chargée:

- (i) de préparer une liste détaillée des critères permettant de définir avec précision, rigueur et objectivité les enseignants en surplus. Cette liste de critères fera l'objet d'un arrêté;
- (ii) de définir avec rigueur, objectivité et précision, les critères et les modalités de résorption des surplus, en particulier :

mutation vers d'autres établissements du pré-secondaire;
affectation dans le secondaire; ou
détachement et mutation vers d'autres ministères;
retraite;
renvoi.

- (iii) de définir les critères de fusion, de fermeture ou de maintien des écoles de moins de cinquante élèves sur la base d'un découpage des écoles en zones de 15km de rayon. Ils feront l'objet d'un décret pour les établissements du secondaire et d'un arrêté ceux du pré-secondaire;
- (iv) d'étudier les amendements à apporter aux articles du règlement intérieur des écoles publiques primaires no. 820 (du 5 septembre 1968) relatifs aux enseignants et aux conditions de création de cycles, de classes, de divisions, pour les conformer aux normes des nouveaux programmes;
- (v) d'étudier les mesures à prendre pour faire respecter ce règlement (éventuellement lui donner un statut juridique supérieur --par exemple l'ériger en décret--) et rendre exécutoires les poursuites en cas de violation;
- (vi) d'étudier les amendements à apporter au règlement no. 133 (du 23 février 1980) relatif à la redistribution des enseignants pour le rendre conforme aux exigences des nouveaux programmes et pour mieux l'adapter aux réalités du terrain;
- (vii) d'étudier les moyens nécessaires pour faire respecter le règlement ci-dessus.

E + 3 A2. Mise en place d'une unité de planification stratégique (voir composante 1.1 du PEG) directement rattachée au bureau du Ministre de l'Education Nationale, de la Jeunesse et des Sports; et chargée entre autre de la planification à long terme des besoins en enseignants en fonction des besoins et des moyens en présence;

A3. Remise des travaux de la Commission nationale/centrale à Monsieur le Ministre.

E + 5 A4. Validation des travaux de la Commission nationale/centrale par Monsieur le Ministre.

A5. Mise sur pied des commissions régionales (commission 2a) ainsi que de la commission nationale pour l'enseignement secondaire (commission 2b) chargées :

- (i) de lancer, suivre et valider une étude par région visant à dresser un recensement exhaustif des enseignants de l'enseignement de base et de l'enseignement du secondaire, en appliquant les critères définis par la commission nationale;
- (ii) de lancer, suivre et valider la mise à jour de l'inventaire complet des écoles publiques (tous les cycles) selon le nombre d'enseignants, de surveillants, de réservistes et d'étudiants;
- (iii) à partir des deux exercices précédents, d'identifier les écoles/classes à fermer et à fusionner;
- (iv) à partir des exercices précédents, d'identifier les enseignants en surplus et les modalités de résorption (renvoi/retraite/mutation/affectation).

E + 8 A6. Mise en place d'un bureau de gestion des postes dans les directions de l'enseignement de base et celle de l'enseignement secondaire.

E + 9 A7. Remise des travaux des n° 2a et 2b à la commission n° 1 pour vérification.

E + 10 A8. Transmission des travaux des commission n° 2a et 2b au Directeur Général de l'Education Nationale

E + 11 A9. Préparation par la Direction Générale de l'Education Nationale d'une proposition de loi regroupant les écoles publiques en sous-zones telle que la distance qui sépare

les écoles d'une même zone ne dépasse pas les 20 Kms. Celle-ci sera soumise au Parlement pour vote.

E + 12 A10. Validation des travaux des commissions régionales par le Directeur Général de l'Education Nationale pour application.

A11. Démarrage de l'application des travaux des commissions n° 2a et 2b.

A12. Mise sur pied d'une commission mixte, composé de membres des administrations centrale et régionale, et du CNRDP (commission n° 3), chargée:

(i) de recenser les besoins en personnel des écoles secondaires (surveillants, assistants de laboratoires, documentalistes);

(ii) de proposer la redistribution du corps enseignant et administratif en fonction du niveau éducatif et de la spécialisation des enseignants, et des besoins des écoles primaires, complémentaires et secondaires;

(iii) de proposer leur lieu de mutation :

- vers un autre établissement pré-secondaire de la région (par un décret),

- vers un établissement du secondaire (par un décret), ou

- vers un autre ministère (par une loi).

(iv) de prévoir les modalités de recyclage et de formation des personnes mutées (par un arrêté ministériel).

E + 13 A13. Soumission au Parlement de la loi du statut unifié du corps enseignant.

E + 14 A14. Remise des travaux de la commission n° 3 au Ministre.

E + 15 A15. Préparation par la Direction Générale en collaboration avec le Conseil de la Fonction Publique d'une proposition de loi d'incitation de carrière auprès des enseignants par le biais d'avantages divers, de compensations etc. Cette proposition de loi inclura la question d'indemnité de transports.

E + 16 A16. Validation des travaux de la commission mixte par le Ministre

E + 17 A17. Démarrage de l'application des résultats des travaux de la commission n° 3 par la Direction Générale de l'Education Nationale;

A18. Présentation au Parlement de la loi relative aux incitations de carrières des enseignants.

E + 36 Fin des actions relatives aux mesures correctives et mesures préventives en place.

LEBANESE REPUBLIC

_____, 2000

Mr.
Regional Vice President
Middle East and North Africa
International Bank for Reconstruction and Development
1818 H Street, NW
Washington, D.C.
United States of America

Re: Loan No. _____ LEB
(General Education Project)
Upgrading Public Education Facilities
Part A of Schedule 2 to the Loan Agreement

Mr. Vice President:

We refer to the upgrading of public education facilities under the General Education Project mentioned in Part A of Schedule 2 to the Loan Agreement, of even date herewith, entered into between the Lebanese Republic (the Borrower) and the International Bank for Reconstruction and Development (the Bank).

The attachment hereto sets forth the criteria and procedures for the identification of school sites under Phase 2 of the Project.

Very truly yours,

LEBANESE REPUBLIC

By _____
Authorized Representative

AGREED AND CONFIRMED:

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By _____
Regional Vice President
Middle East and North Africa

Attachment

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Phase 2
Selection Procedures

Notwithstanding the provisions of Schedule 1, paragraphs 1 and 3, of the Loan Agreement, the approximately thirteen (13) schools to be built, or extended and rehabilitated under Phase 2 of Part A of the General Education Project will be selected according to the following procedures and using the following criteria:

1. Demand
 - 1.1 Globally increasing enrollments: enrollments by cycle, 1996/97, 1997/98, and 1998/99
 - 1.2 Marginally increasing enrollments: newly enrolled students in first year offered by the school, in 1996/97, 1997/98, and 1998/99
 - 1.3 Projected enrollments by cycle, in the next 5 years
 - 1.4 Number of students enrolled outside of their zone of residence, by cycle
 - 1.5 Number of students enrolled outside of their site of residence, by cycle

2. Pedagogical
 - 2.1 Insufficient space: average number of student by classroom by cycle [compared with standard norms elaborated during preparation]
 - 2.2 Insufficient space: sq. meter /student by cycle [compared with standard norms elaborated during preparation]
 - 2.3 Lack of conformity of facilities to new curricula: no multipurpose room,/lab

3. Site characteristics
 - 3.1 Existing facilities: conditions and safety of facilities
 - 3.2 Existing facilities: facilities rented or not
 - 3.3 Planned site: availability of land owned by GOL
 - 3.3.1 site currently free from occupation
 - 3.3.2 site does not prejudice livelihoods of local people
 - 3.3.3 site is the subject of undisputed title
 - 3.3.4 site is the subject of equitable and irrevocable acquisition
 - 3.4 Planned facilities: availability of utilities and services

4. Socio-economic
 - 4.1 Primary education gross enrollment rate in the caza
 - 4.2 Secondary education gross enrollment rate in the caza
 - 4.3 Poverty index of the caza

5. Environment

All sites selected against the above criteria will be subject to an environmental assessment acceptable to the Bank, before being eligible to disbursement under the loan.

Leb/GenEdu/Educ-LA.doc/GY
Legal Department
CONFIDENTIAL DRAFT
(Subject to Change)
Ghada Youness
February 19, 2000

LOAN NUMBER _____

Loan Agreement

(General Education Project)

between

THE LEBANESE REPUBLIC

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated _____, 2000

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LOAN NUMBER _____ - ____

LOAN AGREEMENT

AGREEMENT, dated _____, 2000, between the LEBANESE REPUBLIC (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:
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ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank dated September 1, 1999 (the General Conditions) constitute an integral part of this Agreement.

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

(a) "Action Plan" means the action plan set forth in a letter, including the attachment thereto, from the Ministry of National Education, Youth and Sport (hereinafter referred to as "MNEYS") to the Bank of even date herewith regarding the redeployment of teachers;

(b) "CDR" means the Borrower's Council for Development and Reconstruction, a public authority established and operating pursuant to the Legislative Decree No. 5, dated January 31, 1977, as the same may be amended from time to time;

(c) "DGNE" means the Borrower's Directorate General for National Education within MNEYS;

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(d) "ECRD" means the Borrower's Educational Center for Research and Development, a public authority established and operating pursuant to Decree No. 2356, dated December 10, 1971, as the same may be amended from time to time;

(e) "Eligible Categories" means the categories (1), (2), (3), (4), (5), (6) and (7) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(f) "Eligible Expenditures" means the expenditures for goods, works, services and training referred to in Section 2.02 of this Agreement;

(g) "Information Management Unit" means the administrative unit to be established within MNEYS, for facilitating access to, interpretation and centralization of data within MNEYS and for facilitating data exchange with ECRD as well as other data users or providers;

(h) "Project Management Report" or "PMR" means each report prepared in accordance with Section 4.02 of this Agreement;

(i) "PMU" means the Project Management Unit established and operating under the ECRD in charge of the management and coordination of the Project activities to be implemented by the ECRD, CDR and MNEYS;

(j) "Special Accounts" means the accounts referred to in Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank;

(k) "Steering Committee" means the committee to be established and chaired by the Minister of National Education, Youth and Sports, in charge of monitoring the global progress of the project and the consistency between the sectoral and macro situation as well as examining possible adjustments to improve the Project impact; and

(l) "Strategic Planning Unit" means the administrative unit to be established within ECRD pursuant to the provisions of paragraph 2 of Schedule 5 to this Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to fifty six million and five hundred and seventy thousand United States dollars (US\$56,570,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for the Project and to be financed out of the proceeds of the Loan and in respect of interest and other charges in respect of the Loan, the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04(c) of the General Conditions.

Section 2.03. The Closing Date shall be December 31, 2005 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the

Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on February 15 and August 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
 - (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
 - (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw

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from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04(c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

Section 2.10 For the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions: (a) CDR is designated as representative of the Borrower in respect of the proceeds of the Loan allocated from time to time to Categories 1, 2(a), 3(a) and 4(a); and (b) ECRD is designated as representative of the Borrower in respect of the proceeds of the Loan allocated from time to time to Categories 2(b), 3(b), 4(b) and 5.

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ARTICLE III

Execution of the Project

Section 3.01.(a) The Borrower declares its commitment to the objectives of the Project, 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 sources required for the Project;

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank 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 Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

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ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall, at all times, maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

- (b) The Borrower shall:
- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;
 - (ii) furnish to the Bank as soon as available, but in any case not later than six 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, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

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

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of Project Management Reports or 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 Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank'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 Project Management Reports or statements of

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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.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than December 31, 2001, or such later date as the Bank shall agree, to prepare quarterly Project Management Reports, acceptable to the Bank, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project , both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) 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 Loan, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than forty five (45) days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions; namely that the Borrower has recruited a PMU procurement specialist whose experience and terms of reference shall be satisfactory to the Bank;

Section 5.02. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.10 of this Agreement, 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
Beirut, Lebanese Republic

Facsimile:

961 1 642 762

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI) or
64145 (MCI)

(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 the District of Columbia, United States of America, as of the day and year first above written.

THE LEBANESE REPUBLIC

By

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts 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 Loan Allocated (Expressed in United States Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil Works		
(i) Phase 1	12,900,000	80%
(ii) Phase 2	14,000,000	80%
(2) Goods under:		100% of foreign expenditures, 100% of local expenditures, (ex-factory cost) and 80% of local expenditures for other items procured locally
(a) Parts (A), (B) and (C) of the Project	13,000,000	
(b) Part (D) of the Project	100,000	
(3) Consultants' services under:		100%

(a) Part (A) of the Project	2,200,000	
(b) the other Parts of the Project including audit services	6,900,000	
(4) Training under:		100% of foreign expenditures and 80% of local expenditures
(a) Part (A) of the Project	50,000	
(b) the other Parts of the Project	1,500,000	
(5) Incremental Operating Costs	70,000	80%
(6) Fee	565,700	Amount due under Section 2.04 of this Agreement
(7) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09(d) of this Agreement
(8) Unallocated	5,290,300	
TOTAL	<u>56,570,000</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; and

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(c) the term "Incremental Operating Costs" means expenditures under Part D of the Project incurred by the PMU in relation to, maintenance of vehicles and equipment, fuel, utility charges, office supplies, international communications, local transport costs and insurance costs.

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; and (b) expenditures under Category 1(ii), unless: (i) the Borrower has submitted to the Bank a national strategy for education including an action plan for its implementation, acceptable to the Bank; and (ii) the Bank has received evidence satisfactory to the Bank that: (A) the Information Management Unit has been established; (B) implementation of the action plan on financial mechanisms has started; and (C) at least six (6) of the schools under Phase 1 have become operational.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) works under contracts costing less than US\$1,000,000 equivalent each; (b) goods under contracts costing less than US\$200,000 equivalent each; (c) services of consulting firms under contracts costing less than US\$50,000 equivalent each; (d) services of individual consultants under contracts costing less than US\$50,000 equivalent each; (e) training activities costing less than US\$50,000 equivalent; and (f) Incremental Operating Costs, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

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B. Special Accounts

1. The Borrower shall open and maintain in United States dollars two separate special deposit accounts, the first (Special Account A) in respect of Categories (1, 2(a), 3(a), and 4(a)) and the second (Special Account B) in respect of Categories (2(b), 3(b), 4(b) and 5), in its Central Bank, on terms and conditions satisfactory to the Bank.

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

(a) until the Bank shall have received (i) the first Project Management Report referred to in Section 4.02(b) of this Agreement and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule I; and

(b) upon receipt by the Bank of a Project Management Report pursuant to Section 4.02(b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule I.

3. Payments out of each Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of a Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank

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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 Schedule, the Bank shall not be required to make further deposits into any Special Account:

(a) if the Bank determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Bank determines at any time that all further withdrawals should be made by the Borrower directly from the Loan Account; or

(c) if the Borrower shall have failed to furnish to the Bank 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 Bank pursuant to said Section in respect of the audit of (A) the records and accounts for any Special Account or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Bank shall not be required to make further deposits into any Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank 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 Loan Account pursuant to Section 6.02 of

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the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Accounts may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of any Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the said Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into any 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 Bank determines at any time that any amount outstanding in any Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

(d) Refunds to the Bank made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.

**Annex A
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are Not Made
On the Basis of Project Management Reports**

1. For the purposes of this Annex:

(a) the term "Authorized Allocation" means: (i) in respect of Special Account A, an amount equivalent to two million United States dollars (US\$2,000,000) to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to five hundred thousand United States dollars (US\$500,000), until the aggregate amount of withdrawals from the Loan Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of three million United States dollars (US\$3,000,000); and (ii) in respect of Special Account B, an amount equivalent to one million United States dollars (US\$1,000,000) to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to two hundred and fifty thousand United States dollars (US\$250,000), until the aggregate amount of withdrawals from the

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Loan Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of one million and five hundred thousand United States dollars (US\$1,500,000).

2. Withdrawals of a Special Account's Authorized Allocation and subsequent withdrawals to replenish the said Special Account shall be made as follows:

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

(b) For replenishment of the said Special Account, the Borrower shall furnish to the Bank requests for deposit into the said Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the said 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 said Special Account for Eligible Expenditures. Each such deposit into the said Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the said Special Account's Eligible Categories.

3. The Bank shall not be required to make further deposits into a Special Account, once the total unwithdrawn amount of the Loan allocated to said Special Account's Eligible Categories minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions in respect of expenditures to be financed out of the proceeds of the Loan allocated to said Categories, shall equal the equivalent of twice the amount of the said Special Account's Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to said Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the said Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are Made
On the Basis of Project Management Reports**

1. Except as the Bank may otherwise specify by notice to the Borrower, all withdrawals from the Loan Account shall be deposited by the Bank into the respective Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into a Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the said Special Account's Eligible Categories.

2. Each application for withdrawal from the Loan Account for deposit into any Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the respective Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the said Special Account, shall not exceed the equivalent of eight million four hundred thousand United States dollars (US\$8,400,000) in respect of the Special Account A and two million four

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hundred thousand United States dollars (US\$2,400,000) in respect of the Special Account

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SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in improving the management and institutional capacity of the public education system, promoting equity of educational opportunities and enhancing the quality and efficiency of the public education system.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Upgrading public education facilities:

Carrying out a program to upgrade public education facilities by constructing, rehabilitating, extending, furnishing and equipping a total of approximately twenty-four (24) schools and related services, such program to commence with eleven (11) identified schools (Phase 1) and to be concluded with the remaining schools identified in accordance with criteria and procedures agreed upon between the Borrower and the Bank (Phase 2) as set out in the supplemental letter of even date herewith;

Part B: Management and Institutional Development:

1. Development of an Education Management Information System (EMIS) within ECRD and establishment of an Information Management Unit within DGNE, through, inter alia, the provision of computer equipment, consultant services and training;

2. Restructuring administrative units and reorganization of key administrative functions within the MNEYS; and the establishment of the Strategic Planning Unit within ECRD through, inter alia, the provision of equipment, consultant services and training;

3. Rationalizing teacher management and school distribution in accordance with transparent and objective measures included in the detailed Action Plan through, inter alia, the provision of consultant services;

4. Launching a pilot experiment to transfer more pedagogical and administrative responsibilities to public school principals and to promote involvement of teachers, parents and local communities through, inter alia, the provision of equipment, consultant services and training;

5. Completion of an operational study and development of an action plan for sustainable and equitable financing mechanisms for the education system through, inter alia, the provision of consultant services and training.

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Part C: Quality Enhancement:

1. Establishing and implementing a professional development strategy for in service teacher training using various learning mechanism through, inter alia, the provision of equipment, consultant services and training;

2. Carrying out a program to: (i) reinforce and upgrade the skills of the pedagogic inspectors; and (ii) redefine the functions and enhance the skills of pedagogic and orientation counselors, through the provision of equipment, consultant services and training;

3. Updating the examination system and developing the evaluation mechanisms and instruments through, inter alia, the provision of equipment, consultant services and training;

4. Introduction of new technologies to enhance the teaching and learning process, through the provision of computer equipment, consultant services and training;

Part D: Project Management:

Establishment and operation of the PMU including the provision of equipment, consultant services, training and incremental operating support.

The Project is expected to be completed by June 30, 2005.

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SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share</u> <u>(Expressed as a %)</u>
On each August 15 and February 15 Beginning August 15, 2005 through February 15, 2015	5%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date. such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-

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paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 4

Procurement

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 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

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. Preference for domestically manufactured goods

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than US\$3,000,000 equivalent per contract, up to an aggregate amount not to exceed US\$22,000,000 equivalent, and goods estimated to cost less than US\$500,000 equivalent per contract, up to an agreed amount not to exceed US\$3,200,000 may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Goods estimated to cost less than US\$150,000 equivalent per contract, up to an aggregate amount not to exceed US\$2,400,000 equivalent, 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.

3. National Shopping

Goods estimated to cost less than US\$50,000 equivalent per contract, up to an aggregate amount not to exceed US\$250,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

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4. Direct Contracting

Software and office supplies, up to an aggregate amount not to exceed US\$500,000 equivalent, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank 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 Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for works estimated to cost the equivalent of US\$1,000,000 or more, and with respect with each contract for goods estimated to cost the equivalent of US\$200,000, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

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3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

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

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph.

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The short list of consultants for architectural and engineering services under Part A of the Project, estimated to cost less than US\$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for audit estimated to cost less than US\$200,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for training in relation to EMIS under Part B of the Project estimated to cost less than US\$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services for training under the Project and for development of pedagogical materials under Part C of the Project which are estimated to cost less than US\$100,000

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equivalent per contract, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services under Part D of the Project and services for evaluating school curriculum and school text books under Part C of the Project shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

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

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of US\$100,000 or more, the procedures set forth in

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paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of US\$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

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 Consultant Guidelines shall apply.

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SCHEDULE 5

Implementation Program

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 acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) without limitation upon the provisions of Section 9.07 of the General Conditions, not later than May 31 in each Fiscal Year, commencing on May 31, 2001 and until Project completion, prepare and furnish to the Bank for its review, an annual progress report, of such scope and in such detail as the Bank shall reasonably request;

(c) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about September 30, 2003, 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, including the first complete draft of the national long term education strategy; and

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(d) review with the Bank, by December 31, 2003, or such later date as the Bank 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 Bank's views on the matter.

2. The Borrower shall establish, not later than December 31, 2000 and maintain thereafter, the Strategic Planning Unit with staff and resources acceptable to the Bank.

3. The Borrower has, not later than April 30, 2001, entered into a contract for the preparation of the study on financing mechanisms for the education system referred to in Part B.5 of Schedule 2 to this Agreement.

4. MNEYS shall maintain arrangements satisfactory to the Bank with CDR pursuant to which CDR shall be responsible, on behalf of the Borrower, for all matters related to the procurement process and withdrawal of loan proceeds with regards to all goods and civil works under Parts A, B and C of the Project and consultant services and training under Part A of the Project.

5. MNEYS shall maintain arrangements satisfactory to the Bank with ECRD pursuant to which ECRD shall be responsible, on behalf of the Borrower, for all matters related to the procurement process and withdrawal of loan proceeds with regards to goods under Part D of the Project and consultant services and training under Parts B, C and D of the Project.

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**AGREED MINUTES OF NEGOTIATIONS
REGARDING THE
GENERAL EDUCATION PROJECT**

1. Negotiations for a proposed loan of US\$ 56,570,000 to support the General Education Project (the Project) were held between representatives of the Lebanese Republic (the Borrower) and the IBRD (the Bank) in Washington, D.C., from February 14 to 19, 2000.
2. The Government of Lebanon (GOL) delegation was headed by Dr. Nemer Frayha, President, Educational Center for Research and Development (ECRD), and included Mmes. Nada Mufarrij, Funding Officer for World Bank and Japan, Council for Development and Reconstruction (CDR) and Youmna Sfeir, coordinator for the preparation of the project (ECRD). The World Bank negotiating team consisted of Benoît Millot (team leader, MNSHD), Rafika Chaouali (financial management, MNSHD), Hala Khattar (financial products, FPS), Andrew Mackie (disbursement, LOAEL), Meskerem Mulatu (education, MNSHD), Christian Rey (portfolio, MNSHD), Allan Rotman (environment, MNSRE), Christine Wong (procurement, MNSHD), and Ghada Youness (legal counsel, LEGMN). Moreover, Ann Scoffier (EDSO4) attended the negotiations as an observer on behalf of the French Bilateral Cooperation.
3. The draft Loan Agreement (LA) formed the basis of the negotiations, and was agreed by the GOL and IBRD delegations, with the changes agreed upon and being incorporated in the draft dated February 19, 2000. The two supplemental letters and their respective attachments were also agreed upon by the two delegations, with the changes agreed upon and incorporated in the drafts dated February 19. The LA and the supplemental letters were initialed by the heads of the two delegations. These minutes

record the agreements reached during negotiations, and clarifications related to the draft Loan Agreement and to the two supplemental letters.

4. Phase I of the school building component (Part A of the Project): The GOL delegation informed the Bank delegation that out of the eleven schools initially selected and agreed upon, only one remains in the program. Therefore, ten other schools still have to be selected.

5. The Bank delegation explained that the Project can only be presented to the Board of Executive Directors after the Bank has received evidence satisfactory to the Bank that the sites under Phase I of Part A of the Project have been identified and selected in accordance with the appropriate Bank procedures. To this effect, the Bank needs to receive, not later than March 6, 2000, the information regarding each of the fifteen (15) sites as set forth in the attachment to these Minutes (see Attachment 1). The final list of schools will maintain the same proportion of extensions and new constructions as determined in the initial list.

6. The GOL delegation has cleared the Project Appraisal Document (PAD), further to editing and additions as agreed; therefore, the PAD will be made available to the public upon request.

7. Preparation of Project Management Reports (PMR): Further to the request of the GOL Delegation, the date from which the Borrower will start preparing quarterly PMRs [as referred to in Article IV, section 4.02(a) of the LA] has been postponed from June 30, 2001 to December 31, 2001, in order to recognize the possibility of delays in the date of Project effectiveness; however, if effectiveness occurs at the date as initially planned (June 2000), the Borrower will try its best to prepare the PMR before the date initially set.

8. Financing: The waiver on the commitment charge on the principal amount of the Loan not withdrawn (referred to in Article II, section 2.05 of the LA) for FY 2000 is fifty one-hundredths of one per cent (0.5%).

9. Financing: Since the dates of payment of interest and other charges (as specified in Article II, section 2.07 of the LA) and of principal payment (as specified in Schedule 3, article 1 of the LA) were selected on the basis of a Board presentation date of March 30, 2000, the GOL delegation requests that it retain the possibility to change these dates in case of postponement of Board presentation.

10. Implementation: Further to the request of the GOL delegation, the date by which the Borrower will have established the Strategic Planning Unit (as referred to in Schedule V, section 3 of the LA) has been postponed from November 30, 2000 to December 31, 2000; however, the Borrower will try its best to establish the Strategic Planning Unit before the date initially set.

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11. Implementation: Further to the request of the GOL delegation, the date by which the Borrower will have entered into a contract for the preparation of the study on financing mechanisms for the education system [as referred to in Schedule V, section 3 of the LA] has been postponed from November 30, 2000 to April 30, 2001, in order to recognize the possibility of delays in the date of Project effectiveness; however, if effectiveness occurs at the date as initially planned (June 2000), the Borrower will try its utmost to enter into a contract before the date initially set.

12. Steering Committee: The Bank delegation insisted that the Ministry of Finance be represented on the Project Steering Committee, given the Ministry's critical role in the financial aspects of the project.

13. Disbursement profile: The Bank delegation confirmed that disbursements will be monitored on the basis of the profile of estimated disbursements as shown in the table of the front page of the PAD. The disbursement profile has been amended to start only in FY2001.

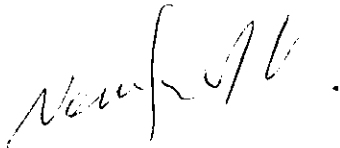
14. Procurement: The Bank delegation pointed out that, for expenditures financed by the Loan at less than 100 percent, Bank procedures as specified in LA Schedule 4 apply.

15. Board presentation: The Bank delegation pointed out that conditions for Board presentation must be fulfilled no later than March 7, 2000.

16. Financial management: An action plan for the financial management of the Project has been agreed upon by the two delegations, and is attached to these Minutes (Attachment 2).

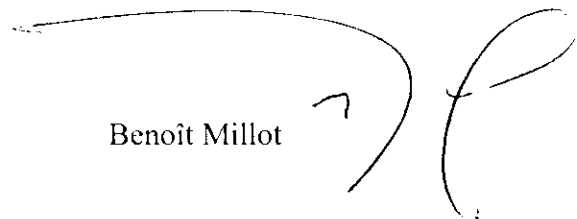
17. Memorandum of Understanding: This memorandum is to be signed by the MNEYS, ECRD and CDR before June 30, 2000. The draft of the said memorandum [in French] is attached to the Minutes (Attachment 3).

For the Government of Lebanon delegation



Nemer Freyha

For the Bank delegation



Benoît Millot

Attachments:

1. List of criteria and information for the selection of schools
2. Financial Management Action Plan [also attached to Annex 6 of the PAD]
3. Memorandum of understanding [also included in the Project Implementation Plan]

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**School Selection Procedures
(Part A of the Project)**

Notwithstanding provisions of Schedule 1, paras 1 and 3, of the Loan Agreement, the about thirteen (13) schools to be built, or extended and rehabilitated under phase 2 of Part A of the General Education Project will be selected according to the following procedures and using the following criteria:

1. Demand
 - 1.1 Globally increasing enrollments: enrollments by cycle, 1996/97, 1997/98, and 1998/99
 - 1.2 Marginally increasing enrollments: newly enrolled students in first year offered by the school, in 1996/97, 1997/98, and 1998/99
 - 1.3 Projected enrollments by cycle, in the next 5 years
 - 1.4 Number of students enrolled outside of their zone of residence, by cycle
 - 1.5 Number of students enrolled outside of their site of residence, by cycle

2. Pedagogical
 - 2.1 Insufficient space: average number of student by classroom by cycle [compared with standard norms elaborated during preparation]
 - 2.2 Insufficient space: sq. meter /student by cycle [compared with standard norms elaborated during preparation]
 - 2.3 Lack of conformity of facilities to new curricula: no multipurpose room,/lab

3. Site characteristics
 - 3.1 Existing facilities: conditions and safety of facilities
 - 3.2 Existing facilities: facilities rented or not
 - 3.3 Planned site: availability of land owned by GOL
 - 3.3.1 site currently free from occupation
 - 3.3.2 site does not prejudice livelihoods of local people
 - 3.3.3 site is the subject of undisputed title
 - 3.3.4 site is the subject of equitable and irrevocable acquisition
 - 3.4 Planned facilities: availability of utilities and services

4. Socio-economic
 - 4.1 Primary education gross enrollment rate in the caza
 - 4.2 Secondary education gross enrollment rate in the caza
 - 4.3 Poverty index of the caza

5. Environment

All sites selected against the above criteria will be subject to an environmental assessment acceptable to the Bank, before being eligible to disbursement under the loan.

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Financial Management Action Plan

A- Transition Phase (from December, 1999 to December, 2000)

A.1. At ECRD Finance & Administration Division. During the transition period ECRD will implement the following:

- The appointment of a qualified accountant at the Finance & Administration Division to work on the project's accounts. This recruitment will take place either through an internal transfer or an external recruitment **before the presentation of the project to the Bank's Board of Directors**, which is expected to be around end of March or the beginning of April, 2000). The accountant will maintain separate computerized books of accounts of the project according to the generally accepted accounting principles. He/she will ensure that only duly authorized expenditures that are in accordance with the loan agreement are paid from the loan proceeds, maintain the accounting records, supporting documents, and prepare the special account replenishment requests as well as the project reports and financial statements.
- The appointment of an external audit firm acceptable to the Bank to undertake the audit of the first year of project operation. The Bank requires that an independent external audit of the project accounts be undertaken annually. The annual audit report should be received by the Bank no later than six months following the end of each year being audited. The audit should cover the entire project accounts including those under CDR's responsibility. For this, qualified auditors acceptable to the Bank should be appointed **before the project is presented to the Bank's Board**. The PPU will prepare the auditors' TORs and submit them for Bank's clearance before the auditors are appointed.
- Opening of a special account at the Central Bank of Lebanon for the receipts of Loan proceeds, **by loan effectiveness date**. During the transition phase all requests for replenishments of the special account will be based on traditional disbursement methods of SOEs, advances and/or replenishment to SA, and/ or direct payments.

A.2. At the CDR

- By effectiveness, CDR will open a special account, at the Central Bank of Lebanon, for the loan proceeds of the project component being implemented by them. The SA will be replenished using Bank traditional disbursement methods of SOEs, advances to the SA, and/or direct payments when applicable.
- CDR will maintain separate accounting records for the project component under its responsibility, according to generally accepted accounting principles. The accountant/financial officer at CDR in charge of the project accounting, will ensure that all expenditures are duly authorized and are in compliance with the terms of the loan agreement. He/she will maintain accounting records and supporting documentation. CDR will prepare financial reports, statements, and replenishment requests for submission to the Project Management Unit.
- CDR implemented project's component will be subject to annual audit by the project's external auditor designated by the ECRD.

A.3. At the Project Management Unit-Actions Needed to Allow the Transfer of Financial Responsibility from ECRD Finance & Administration Department to the PMU.

In order to allow the full transfer of financial responsibilities and tasks from the ECRD Finance & Administration to the PMU and to allow the compliance with the LACI requirements, the basic principles of sound financial management should be in place at the unit **within eight months from effectiveness**, particularly the following:

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- An adequate staff structure has to be in place **within three (3) months following effectiveness**. Two positions of financial management staff are needed: a financial officer/controller and an accountant. The TORs and qualifications needed have been developed and are included in the Project Implementation Manual. These individuals will be responsible, among other things, for the set-up of financial management system **within six (6) months following effectiveness**.
- The establishment of a financial management. The financial officer and accountant, with the assistance of a qualified consultant, will establish and implement a financial management system that meets good standards of financial management and as required by the Bank. This system should encompass an adequate chart of accounts that meet project reporting needs as per Bank requirements and those of the Lebanese accounting standards. It should also be computerized and allow an interface with the rest of the information system of the project to allow the production of the PMRs and other reports as needed. The system should be tested **seven (7) months following effectiveness**.
- Organizing, with the help of the consultant, a training program for the staff to prepare them for the use of the financial management system to be developed (procedures and accounting software). This training should take place **within eight (8) months from effectiveness**.
- Establishing, **within six (6) months following effectiveness**, an adequate internal control at the PMU through: (a) clear definition of the roles and responsibilities of staff to allow a financial control, a separation of duties, a clear delegation of authority, a clearly defined treatment of assets used by the PMU such as furniture and equipment, cash, bank accounts, accounting principles adopted along with the necessary documentation, the periodic reports along with their content, periodicity; (b) preparation of the regulations and procedures manual governing the project management. The latter includes: (1) the set of accounting and financial standards and procedures taking into consideration the Bank, GOL, and other donors' requirements, (2) the budget preparation and control procedures, (3) the definition of the roles, relationships, and reporting requirements to be established between the PMU and the other project implementing institutions such as CDR, the Ministry of Education, etc. (4) Definition of the set of internal and external reports needed by the project's various stakeholders.

B- The Conversion to PMR-Based Disbursements

In order to allow the project to move to PMR-Based Disbursements as per the Bank's new requirement of LACI compliance, a sound financial management system should be in place. The system should include: (1) an adequate number of qualified financial management staff; (2) a sound internal control system; (3) an acceptable accounting system based on international accounting standards; (4) an appropriate and integrated management information system allowing the generation of the quarterly PMRs, hence, producing the right information (financial, procurement, and physical progress) actual, budgeted and forecasted at the right time and distributed to the right people; (5) an annual audit by an external independent audit firm performed according to the international auditing standards.

Given the implementation of the project by the PMU/ECRD on one hand and the CDR on the other hand, a Bank mission will undertake an evaluation of both systems **within seven (7) months following effectiveness**, to determine whether the project can start disbursing based on PMRs. If the assessment reveals that the project can not disburse based on PMRs, an action plan will be put in place to remedy the situation. The project's conversion to PMR-Based Disbursements will be **no later than December 31, 2001**.

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