
LOAN NUMBER 2266-BAN(SF)

LOAN AGREEMENT
(Special Operations)
(Secondary Education Sector Development Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 8 November 2006

LAS:BAN 37307

LOAN AGREEMENT (Special Operations)

LOAN AGREEMENT dated 8 November 2006 between PEOPLE'S REPUBLIC OF BANGLADESH (the "Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Borrower a development policy letter dated 14 September 2006 (the "Policy Letter"), setting forth certain objectives, policies and actions, designed to develop the Borrower's education sector; and by a Loan Agreement of even date herewith between the Borrower and ADB (the "Program Loan Agreement"), ADB has agreed to lend to the Borrower an amount equivalent to twenty million two hundred ninety two thousand Special Drawing Rights (SDR20,292,000) from ADB's Special Funds resources for the purposes of the Secondary Education Sector Development Program (the "Program");

(B) In support of the Program, the Borrower has applied to ADB for a loan from its Special Funds resources for the purposes of the Project described in Schedule 1 to this Loan Agreement (the "Project"); and

(C) ADB has, on the basis inter alia of the foregoing, agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 (the "Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. The definitions set forth in the Loan Regulations are applicable to this Loan Agreement unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) "BANBEIS" means the Bangladesh Bureau of Educational Information and Statistics of the Borrower or any successor thereto;

(b) "BISE" means the Boards of Intermediate and Secondary Education of the Borrower or any successor thereto;

(c) "BMEB" means the Bangladesh Madrasah Education Board of the Borrower or any successor thereto;

(d) "Consulting Guidelines" means ADB's "Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers" dated April 2006, as amended from time to time;

(e) "DIA" means the Directorate of Inspection and Audit of the Borrower or any successor thereto;

(f) "DSHE" means the Directorate of Secondary and Higher Education of the Borrower or any successor thereto, acceptable to ADB;

(g) "EED" means the Education Engineering Department of MOE;

(h) "EMIS" means the Education Management and Information System;

(i) "ERD" means the Economic Relations Division of the Ministry of Finance of the Borrower or any successor thereto;

(j) "Goods" means equipment and materials to be financed out of the proceeds of the Loan; including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(k) "HSC" means the Higher Secondary Certificate;

(l) "Implementing Agency" means DSHE, which is responsible for day-to-day implementation of the Project, as described in paragraph 1 of Schedule 5 to this Loan Agreement;

(m) "madrasah" means an Alia (Dakhil and Alim) madrasah which is recognized by the Borrower and receives the Borrower's financial support;

(n) "MOE" means the Ministry of Education of the Borrower or any successor thereto;

(o) "NAEM" means the National Academy for Educational Management of the Borrower or any successor thereto;

(p) "NCTB" means the National Curriculum and Textbook Board within MOE or any successor thereto;

(q) "Procurement Guidelines" means ADB's "Procurement Guidelines" dated April 2006, as amended from time to time;

(r) "Procurement Plan" means the procurement plan for the Project dated 20 September 2006 and agreed between the Borrower and ADB, as updated from time to time in accordance with Consulting Guidelines, Procurement Guidelines and other arrangements agreed with ADB;

(s) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means MOE which is responsible for the carrying out of the Project;

(t) "Project facilities" means the facilities to be provided under the Project;

(u) "RRP" means the Report and Recommendation of the President of ADB to the Board of Directors of ADB for the Project;

(v) "SPBMS" means the School Performance-Based Management System;

(w) "SE-SDP" means the Borrower's Secondary Education Sector Development Plan for 2006-2013;

(x) "SESIP" means the Secondary Education Sector Improvement Project, which is more particularly described in the Loan Agreement No. 1690 (SF) dated 24 June 1999 between the Borrower and ADB;

(y) "SMC" means School Management Committee;

(z) "TQI" means the Teaching Quality Improvement In Secondary Education Project, which is more particularly described in the Loan Agreement No. 2101 (SF) dated 20 December 2004 between the Borrower and ADB;

(aa) "underserved area" means an area with (i) no secondary school within the range of 3 kilometers, (ii) a potential of at least 280 prospective secondary school students, and (iii) a catchment area population with at least 4,600 for a co-educational secondary school and 9,200 for a single sex secondary school;

(bb) "upazila" means an administrative unit of the Borrower at the sub-district level; and

(cc) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to fifty seven million four hundred ninety three thousand Special Drawing Rights (SDR 57,493,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of one percent (1%) per annum during the grace period, and one and one-half percent (1.5%) per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to payment of the first principal amount of the Loan on the payment date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 1 February and 1 August in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The goods and services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such goods and services and other items of expenditure shall be in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, all goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Withdrawals from the Loan Account in respect of goods and services shall be made only on account of expenditures relating to

- (a) goods which are produced in and supplied from and services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and

- (b) goods and services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2013 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.

Section 4.02. (a) The Borrower shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Borrower shall enable ADB, upon ADB's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Borrower pursuant to Section 4.02(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any relevant records and documents.

ARTICLE V

Suspension; Cancellation; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations: the Borrower shall have failed to perform any of its obligations under the Program Loan Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

(a) the Development Project Proforma for the Project shall have been approved by the Executive Committee of the National Economic Council of the Borrower; and

(b) the Program Loan Agreement shall have been duly executed and delivered on behalf of the Borrower, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: the Program Loan Agreement has been duly executed and delivered on behalf of the Borrower and is legally binding upon the Borrower in accordance with its terms.

Section 6.03. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII**Miscellaneous**

Section 7.01. The Secretary of ERD of the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Economic Relations Division
Ministry of Finance
Government of the People's Republic of Bangladesh
Sher-e-Bangla Nagar
Dhaka 1207
Bangladesh

Facsimile Number:

(880-2) 811-3088.

For ADB

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Cable Address:

ASIANBANK
MANILA

Telex Numbers:

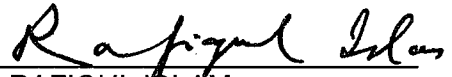
29066 ADB PH (RCA)
42205 ADB PM (ITT)
63587 ADB PN (ETPI)

Facsimile Numbers:

(632) 636-2444
(632) 636-2391.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

PEOPLE'S REPUBLIC OF BANGLADESH

By 
 RAFIQUUL ISLAM
 Authorized Representative
RAFIQUUL ISLAM
 Secretary
 Economic Relations Division
 Ministry of Finance
 Govt. of the People's Republic of Bangladesh

ASIAN DEVELOPMENT BANK

By 
 HUA DU
 Country Director
 Bangladesh Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to improve efficiency, quality of, and access to secondary education.
2. The Project consists of the following components:

Component 1: Strengthened Management and Transparency in Secondary Education Management

- (i) Increased decentralization of management responsibilities

This subcomponent will support the implementation of decentralized secondary education management through (a) the review of BISE, DIA, DSHE, DSHE field offices and NCTB structure and functions vis-à-vis decentralization; (b) the construction of 2 zonal education offices and 4 district education complexes; (c) the provision of basic office equipment, furniture, vehicles, and administrative budget; and (d) the orientation training to relocated staff.

- (ii) Improved transparency in the financing of institutions

This subcomponent will (a) develop and implement a monitoring and quality assurance (MQA) system to monitor the quality and help improve the performance of secondary schools and madrasahs, including provision of assistance to the Policy Support, School Monitoring and Quality Assurance (PMQA) Unit; (b) support at least 4 policy research studies in secondary education and annual reports on school performance by the PMQA Unit; (c) conduct two third-party validation assessment studies to assess data quality and monitor the implementation of the MQA system; (d) support the national implementation of SPBMS in the general secondary schools and its pilot implementation in at least 30 model madrasahs, including the refinement, reproduction and distribution of SPBMS guides and their adaptation to madrasah curricula and training of relevant personnel in SPBMS; (e) support gradual delegation of Monthly Payment Order (MPO) processing to the zonal education offices; (f) expand EMIS data collection system nationally; (g) support the publication on a regular basis of an annual statistical report by BANBEIS on the status of secondary education; (h) update the Geographical Information System (GIS) software in DSHE and BANBEIS; (i) improve the communication links between DSHE, BANBEIS and MOE; and (j) provide a regional study tour to key officers of BANBEIS, DSHE, MOE, ERD, the Implementation Monitoring and Evaluation Division of the Ministry of Planning of the Borrower, and the Planning Commission of the Borrower to observe the implementation of an MQA system and EMIS.

(iii) Strengthened human resource management

This subcomponent will assist in improving the human resource management (HRM) function in DSHE and MOE agencies to support the implementation of decentralization and functional specialization. This will include the update of the HRM strategy, development of a plan for an HRM-related group, recruitment of related additional staff, if needed, review of job descriptions, refinement of staff monitoring and evaluation process, development of related HRM manuals, and in-house training of HRM-related staff. The subcomponent will provide equipment, furniture, running costs, HRM-related materials, and consulting services.

Component 2: Improved Quality of Secondary Education

(i) Revised curricula

This subcomponent will (a) assist in reviewing and revising curricula for school grades 6-8 and 11-12 and madrasah grades 6-12, including the update of computer studies/ information and communication technology (ICT) subject in school grades 9-10; (b) develop related curriculum support guides and teacher training materials, including refinement of related teaching and learning materials for the ICT subject; (c) training of trainers and teachers in the new curricula and refined subject; (d) pilot e-learning in about 20 schools to support the teaching of English, mathematics, and science subjects by providing computers, teacher training, learning materials, and e-learning national consultancy; (e) develop and implement an information dissemination strategy on curricula revisions; (f) review the consolidation of NCTB functional and sustainable capacity to undertake quality curricula development, implementation, and monitoring and research; (g) provide local masteral level studies to 20 NCTB personnel; (h) provide NCTB office equipment, software, curricula materials, and consultancy support for curriculum development; (i) undertake a needs assessment of the BMEB and madrasah-related agencies towards modernization and education quality improvement, prepare a capacity strengthening plan for BMEB and madrasah-related agencies, and provide a regional study tour to the relevant madrasah education-related official and stakeholders; and (j) conduct a sector study of madrasah education in grades 6-12.

(ii) Reformed national examinations

This subcomponent will (a) support the training of master trainers who will train examination question-setters, markers and moderators for the planned examination reforms; (b) develop and implement an information dissemination strategy on the revised examinations; (c) develop and pilot test model HSC examinations associated with the revised curriculum; (d) provide training to about 15 BISE personnel on assessment, examinations development and methodologies, and related areas; and (e) support studies on comparability of different examination standards across the BISE.

(iii) Strengthened student assessment

This subcomponent will (a) support the implementation of school-based assessment (SBA) in grades 6-9, (b) provide training and related training materials to teachers; (c) adapt and introduce SBA in model madrasahs; (d) provide training to madrasah teachers; and (e) conduct SBA-related information dissemination activities.

(iv) Strengthened school management

This subcomponent will provide training to SMC members towards assisting school development and improving student and school performance.

Component 3: Enhanced Equity of Access to Secondary Education

(i) Underserved areas and overcrowded schools

This subcomponent will (a) construct and furnish 56 new schools in underserved areas; (b) provide toilet facilities for females, arsenic-free tubewells, and 2 additional classrooms in 250 overcrowded schools enrolling girls, preferably in the 53 upazilas where ADB will finance stipend assistance; (c) undertake school mapping and develop a national strategy plan for rationalizing and improving nongovernment secondary school facilities; and (d) provide training in education infrastructure, including monitoring and evaluation of civil works, to staff of EED.

(ii) Model madrasahs

This subcomponent will assist in developing one model madrasah in each of 30 districts - 5 in each division - by providing each of them 2 additional classrooms, laboratories, library, minor repair, furniture, computers, books, learning materials, and teaching and sports equipment.

(iii) Poverty-targeted stipends

This subcomponent will support the provision of poverty-targeted stipends to secondary students from poor families in the 53 upazilas where ADB has previously provided stipend assistance under SESIP.

3. The Project also includes the provision of consulting services. The Project is expected to be completed by 31 December 2012.

SCHEDULE 2**Amortization Schedule****(Secondary Education Sector Development Project)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
01-Feb-2015	1,197,771.00
01-Aug-2015	1,197,771.00
01-Feb-2016	1,197,771.00
01-Aug-2016	1,197,771.00
01-Feb-2017	1,197,771.00
01-Aug-2017	1,197,771.00
01-Feb-2018	1,197,771.00
01-Aug-2018	1,197,771.00
01-Feb-2019	1,197,771.00
01-Aug-2019	1,197,771.00
01-Feb-2020	1,197,771.00
01-Aug-2020	1,197,771.00
01-Feb-2021	1,197,771.00
01-Aug-2021	1,197,771.00
01-Feb-2022	1,197,771.00
01-Aug-2022	1,197,771.00
01-Feb-2023	1,197,771.00
01-Aug-2023	1,197,771.00
01-Feb-2024	1,197,771.00
01-Aug-2024	1,197,771.00
01-Feb-2025	1,197,771.00
01-Aug-2025	1,197,771.00
01-Feb-2026	1,197,771.00
01-Aug-2026	1,197,771.00
01-Feb-2027	1,197,771.00
01-Aug-2027	1,197,771.00
01-Feb-2028	1,197,771.00
01-Aug-2028	1,197,771.00
01-Feb-2029	1,197,771.00
01-Aug-2029	1,197,771.00
01-Feb-2030	1,197,771.00
01-Aug-2030	1,197,771.00
01-Feb-2031	1,197,771.00
01-Aug-2031	1,197,771.00
01-Feb-2032	1,197,771.00
01-Aug-2032	1,197,771.00

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
01-Feb-2033	1,197,771.00
01-Aug-2033	1,197,771.00
01-Feb-2034	1,197,771.00
01-Aug-2034	1,197,771.00
01-Feb-2035	1,197,771.00
01-Aug-2035	1,197,771.00
01-Feb-2036	1,197,771.00
01-Aug-2036	1,197,771.00
01-Feb-2037	1,197,771.00
01-Aug-2037	1,197,771.00
01-Feb-2038	1,197,771.00
01-Aug-2038	1,197,763.00
TOTAL	57,493,000.00

* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of Goods, Works, consulting services and other items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table, and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

Interest Charge

3. The amount allocated to Category 9 is for financing the interest charge on the Loan during the implementation period of the Project.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

5. Except as ADB may otherwise agree, all Goods, Works and consulting services to be financed out of the Loan proceeds shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2001 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Account; Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at the Bangladesh Bank. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. The currency of the imprest account shall be Dollar. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Loan amount.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of \$100,000.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Secondary Education Sector Development Project)				
CATEGORY				ADB FINANCING
Number	Item	Amount Allocated SDR		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	15,963,000		100 percent of total expenditure*
2	Equipment, Vehicles, and Furniture	2,908,000		100 percent of total expenditure*
3	Learning and Training Materials, Studies, Monitoring, Campaign, and Workshops	3,247,000		100 percent of total expenditure*
4	Capacity Building	5,412,000		100 percent of total expenditure*
4a	Local Training		5,141,000	100 percent of total expenditure*
4b	International Training and Study Tours		271,000	100 percent of total expenditure*
6	Consulting Services	2,029,000		100 percent of total expenditure*
7	Stipends	11,904,000		70 percent of total expenditure
8	Project Operation, Maintenance, Salaries	10,484,000		50 percent of total expenditure
9	Interest Charge	1,894,000		100 percent of amount due
10	Unallocated/ Contingencies	3,652,000		
	Total	57,493,000		

*Excluding taxes and duties.

SCHEDULE 4

Procurement of Goods and Works, and Consulting Services

General

1. All Goods and Works, and consulting services, to be financed out of the proceeds of the Loan shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used and not otherwise defined in this Loan Agreement, have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Procurement of Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

International Competitive Bidding
National Competitive Bidding

The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

4. Domestic Preference. The Borrower may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods and paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Works.
5. National Competitive Bidding. No procurement activity may be undertaken under national competitive bidding until ADB and the Borrower have agreed in writing on any necessary modifications or clarifications to the Borrower's *Public Procurement Regulations*, 2003, to ensure consistency with ADB's Procurement Guidelines. Such modifications or clarifications shall be subsequently reflected in the Procurement Plan and are hereby incorporated by reference to this Loan Agreement.

Selection of Consulting Services

6. Except as ADB may otherwise agree, the Borrower shall apply quality- and cost based selection (QCBS) for selecting and engaging consulting services.
7. Individual Consultants. Individual consultants shall be selected and engaged in accordance with the Borrower's procedures acceptable to ADB.

Industrial or Intellectual Property Rights

8. (a) The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

ADB's Review of Procurement Decisions

9. All contracts procured under international competitive bidding procedures and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

Conditions for Approval of Civil Works Activities

10. Before approval of civil works activities for each of the schools, the following conditions shall be fulfilled: (i) the areas in which schools are going to be constructed are underserved; (ii) the land is available for its construction; and (iii) the community supports the management of the school.

SCHEDULE 5

Execution of Project and Operation of Project Facilities; Financial Matters

Project Executing Agency and Implementing Agency

1. The MOE shall be the Project Executing Agency. The DSHE shall be the Implementing Agency responsible for planning, organizing, managing, supervising, coordinating and monitoring the Project.

Project Implementation Unit (PIU)

2. The structure of the PIU of SESIP shall be retained and continue to function as the PIU for the Project. Staff of the Project shall be recruited directly, but preference could be given to those staff who worked in similar type of projects like SESIP, subject to satisfactory performance. The PIU shall be responsible for day-to-day Project implementation and shall be located in the DSHE building. The PIU shall be headed by a full-time Project Director selected in consultation with ADB. The PIU shall be responsible for ensuring (i) detailed Project planning and scheduling; (ii) procurement of Goods and Works, except as may be otherwise agreed between the Borrower and ADB; (iii) recruitment and supervision of international and national consultants, other technical assistance and training; (iv) Project accounting, including but not limited to arranging necessary audits; (v) disbursement of funds, including but not limited to timely submission of withdrawal applications; (vi) management of the imprest account; and (vii) reporting to ADB on Project progress.

District Implementation Coordination Committees (DICC)s

3. The DICCs shall be established in each district, where the Project finances subprojects, to coordinate the civil works program. Each DICC shall be chaired by the deputy commissioner and shall include representatives from the district EED, Facilities Department, concerned SMCs, head teachers, and nongovernment organizations (NGOs). The District Education Officer (DEO) shall act as member secretary.

Project Steering Committee (PSC)

4. The PSC shall be responsible for the detailed policy formulation, planning, implementation, and evaluation of the reform agenda for the secondary education system under the Project, including but not limited to all policy reforms within the program that help implement the SE-SDP. Among other things, the PSC shall approve (a) the selection process for madrasahs; and (b) the criteria for the selection of (i) communities to receive new school construction and schools to receive additional classrooms, (ii) schools for piloting e-learning, (iii) madrasahs to be upgraded to become model madrasahs, and (iv) personnel for foreign study tours and foreign and local training. The PSC shall meet at least quarterly. The PSC shall be chaired by the secretary of MOE and shall consist of representatives from BANBEIS, BISE, BMEB, DIA, DSHE, EED, ERD, Implementation Monitoring and Evaluation Division of the Ministry of Planning of the Borrower, the Ministry of Chittagong Hill Tracts Affairs of the Borrower, the Ministry of Establishments of the Borrower, MOE, NAEM, NCTB, the PIU of TQI, the Planning Commission of the Borrower, or any other appropriate persons and specialists, as required.

Project Implementation Committee (PIC)

5. The PIC shall be responsible for overseeing the day-to-day implementation of the Project. The PIC shall be chaired by the Director General, DSHE, and a Project Director shall act as member secretary.

Project Implementation Arrangements

6. The Borrower shall ensure the continuity of the implementation of activities in the MOE agencies, DSHE, and upazila, district and zone offices initiated by SESIP between the completion of SESIP and the Effective Date.

7. The Borrower shall ensure that the Policy Support and Planning Unit of DSHE is given an additional responsibility of school MQA and shall be renamed Policy Support, School Monitoring and Quality Assurance (PMQA) Unit. PMQA Unit shall conduct (i) reviews, assessment and studies and shall publish annually a report on school performance; and (ii) at least 4 policy research studies on secondary education using EMIS data.

8. The Borrower shall ensure that EMIS data is made available to government agencies, researchers, development partners, and education stakeholders.

9. The Borrower shall ensure that additional staff will be directly recruited under the Project. Project operational costs after review and scrutiny by the relevant and appropriate authorities of the Borrower may be transferred to the recurrent budget promptly after the Project completion in accordance with the Borrower's applicable rules and regulations. Women shall be given preference in recruitment, if they have equal qualifications.

10. The Borrower shall ensure that a public information campaign is developed to disseminate to communities and stakeholders information on the nature of and reasons for the policy changes being implemented under SE-SDP.

11. The Borrower shall ensure that the continuation of subsidies is linked to the performance-based assessment of the schools.

12. The Borrower shall ensure that payment of stipends is poverty-targeted.

13. The Borrower shall ensure that ADB is consulted before changes of the Project Director.

Subproject Selection, Approval and Implementation

14. The Borrower shall ensure that all subprojects to be financed by the Loan proceeds are selected in accordance with the criteria agreed upon between ADB and the Borrower as more fully described in Appendix 10 to the RRP. The PIU shall ensure that local communities, NGOs, women and representatives from tribal people are involved in subproject identification, planning, and implementation. The proposals shall be prepared by DICC's, in consultation with the community and NGOs. The proposals shall be sent to DSHE

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and the PIU for review and approval. Each consecutive year, DICC's shall submit to the PIU an updated implementation schedule, including work to be accomplished and a budget. The first 10 subproject proposals shall be sent to ADB for its concurrence. Thereafter, ADB may require that randomly selected subproject proposals are submitted to ADB for its concurrence. ADB reserves the right to refuse to finance any subproject that does not meet the agreed criteria.

15. The Borrower shall ensure that within 3 months of the Effective Date, the criteria and procedures for selecting the 30 madrasahs for Project assistance and the 20 schools for piloting e-learning activities are finalized.

Staff Development and Training

16. The Borrower shall ensure that ADB's prior approval is obtained before the award of any overseas training. For this purpose, ADB shall be provided with a list of (i) the nominated candidates, (ii) their qualifications, (iii) justification and relevance of training, and (iv) detailed cost of proposed training. The Borrower shall ensure that, for the recipients of training, necessary arrangements, which require the recipients to remain in their institutions for a minimum period in accordance with the Borrower's procedures, are made.

Anticorruption

17. The Borrower acknowledges that consistent with its commitment to good governance, accountability and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Project. To support these efforts, relevant provisions of ADB's *Anticorruption Policy* are included in the Loan Regulations and the bidding documents for the Project. In particular, all contracts financed by ADB in connection with the Project shall include provisions specifying the right of ADB to audit and examine the records and accounts of the Project Executing Agency and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

18. The Borrower shall cause the PIU, DSHE and MOE to take concrete proactive steps listed in Appendix 14 to the RRP to ensure good governance and prevent corruption by, among other things, preparing an action plan, implementing such action plan, and including in quarterly reports of the measures taken.

19. The Borrower shall ensure that the Project implementation includes frequent regular monitoring of Project activities, including school selection and tendering and poverty-targeted stipends. The PIU shall have a Project website that has information on procurement and status of procurement. Third-party assessment validation studies shall also be undertaken for SPBMS, EMIS, outputs and activities. Training of staff shall have good governance modules.

Environment, Involuntary Resettlement, Tribal Peoples and Gender

20. The Borrower shall ensure compliance with ADB's *Environment Policy*, 2002, and the Borrower's existing environmental laws and regulations.

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21. The Borrower shall ensure that the land selected for construction of new schools is clear of occupation and not under use as defined in ADB's *Policy on Involuntary Resettlement*, 1995. In the event of unforeseen resettlement as defined in ADB's *Policy on Involuntary Resettlement*, 1995, the Borrower shall promptly inform ADB of such unforeseen resettlement and prepare necessary resettlement planning documents in accordance with ADB's *Policy on Involuntary Resettlement*, 1995.

22. The Borrower shall ensure that the Project is implemented in accordance with the tribal peoples development framework (TPDF) and the gender action plan (GAP).

Civil Works

23. The Borrower shall ensure that civil works contractors (i) comply with all applicable labor laws, (ii) do not employ child labor for construction and maintenance activities, and (iii) do not differentiate wages between men and women for work of equal value.

Reports

24. Without limiting the generality of Section 6.05 of the Loan Regulations, the Borrower shall ensure that the PIU prepares quarterly reports on the status and progress of the Project implementation and submits them to ADB and MOE within 20 days after each quarter. The reports shall have a format acceptable to ADB and indicate (i) progress made against established targets, (ii) status of performance indicators, (iii) problems encountered and actions taken to address them, (iv) compliance with the covenants of this Loan Agreement, and (v) proposed program of activities for the following quarter. Within 3 months after Project completion, the Borrower shall prepare and submit to ADB a Project completion report describing Project implementation, accomplishments, benefits, impact, costs, and compliance with the covenants of this Loan Agreement.

Project Performance Monitoring System

25. The Borrower shall prepare and provide ADB with the next FY's Project operational plan at least 30 days before the start of the next FY. The operational plan shall include, but is not limited to: (i) Project activities with cost estimates proposed for each component/ subcomponent with performance targets; (ii) a plan for complying with outstanding covenants of this Loan Agreement; (iii) a breakdown of financial requirements, including Loan proceeds withdrawal and counterpart funds from the Borrower; and (iv) details of how Project activities are to be integrated into other ongoing programs.

26. Within 1 year of the Effective Date, the Borrower shall cause DSHE and the PIU to have completed the establishment of a monitoring and evaluation system for the Project, acceptable to ADB. Project monitoring and evaluation (M&E) shall be the responsibility of DSHE through the PIU. Within the first 6 months of the Effective Date, a baseline indicator study shall be conducted to refine and expand verifiable indicators of Project inputs, outputs, and impact.

Project Reviews

27. The Borrower and ADB shall jointly review the Project's progress at least twice a year. In addition to regular reviews, the Borrower and ADB shall jointly undertake a midterm review during the Project's third year. At least 1 month before the review, the PIU shall submit to ADB a comprehensive report on the issues to be discussed during the review.