

CONFORMED COPY

CREDIT NUMBER 2054 MLI

Development Credit Agreement
(Education Sector Consolidation Project)

between

REPUBLIC OF MALI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 19, 1989

CREDIT NUMBER 2054 MLI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 19, 1989, between REPUBLIC OF MALI (the "Borrower") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association").

WHEREAS (A) the Association has received a letter, dated April 28, 1989, from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's education sector (hereinafter called the "Program");

(B) the Borrower, having committed itself to the execution of the Program and, as part of the Program, having undertaken to carry out the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project and of urgently needed imports required during the execution of the Program;

(C) the Borrower intends to contract from the United States Agency for International Development ("USAID") a grant (the "USAID Grant") in an amount of seven million six hundred thousand Dollars (\$7,600,000) to assist in financing part of the Project and part of the imports required during the execution of the Program on the terms and conditions set forth in an agreement (the "USAID Grant Agreement") to be entered into between the Borrower and USAID; and

(D) the Borrower intends to contract from the French Republic through the Fonds de l'Aide a la Cooperation ("FAC") a grant (the "FAC Grant") in an amount equivalent to three million seven hundred thousand

Dollars (\$3,700,000) to assist in financing part of the Project and part of the imports required during the execution of the Program on the terms and conditions set forth in an agreement (the "FAC Grant Agreement") to be entered into between the Borrower and FAC;

(E) the Borrower intends to contract from the United Nations Program for Development ("UNDP") a grant (the "UNDP Grant") in an amount equivalent to five hundred thousand Dollars (\$500,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the "UNDP Grant Agreement") to be entered into between the Borrower and UNDP;

(F) the Borrower intends to seek additional funds from other donors to assist in financing part of the Project and part of the imports required during the execution of the Program; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (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) "APE" means Association des Parents d'Eleves, any Students' Parents Association established in the Borrower's territory;

(b) "CFAF" means the currency of the Borrower;

(c) "Cycle I" means the first cycle of instruction in the Borrower's education system having a duration of six years;

(d) "Cycle II" means the second cycle of instruction in the Borrower's education system having a duration of three years;

(e) "Grandes Ecoles" means the following Institutes of Higher Education located in Bamako: (i) Ecole Nationale d'Administration; (ii) Ecole Nationale d'Ingenieurs; and (iii) Ecole Normale Superieure;

(f) "FAEF" means Fonds d'Appui a l'Enseignement Fondamental, the Basic Education Support Fund to be established to finance Part A of the Project;

(g) "Guaranty Fund" means the Guaranty Fund to be established by the Borrower pursuant to Section 3.01 (d) of this Agreement;

(h) "IEFs" means Inspections de l'Enseignement Fondamental, the Basic Education Inspectorates of MEN (as hereinafter defined);

(i) "IPN" means Institut Pedagogique National, the Borrower's National Pedagogic Institute established within MEN (as hereinafter defined);

(j) "MEN" means Ministere de l'Education Nationale, the Borrower's Ministry of Education;

(k) "Participating Bank" means the banking institution referred to in Section 3.01 (b) of this Agreement;

(l) "PCU" means the Project Coordination Unit established within MEN having the task, inter alia, of coordinating, monitoring and evaluating the

execution of the Project;

(m) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated February 23, 1989, and April 28, 1989, between the Borrower and the Association;

(n) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(o) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and the Participating Bank pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(p) "UNDP/ILO Unit" means the unit established within the Borrower's Ministry of Labor and Civil Service to assist young graduate aspiring entrepreneurs; and

(q) "VA" means any of the non-governmental volunteer associations providing technical assistance to MEN.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty million two hundred thousand Special Drawing Rights (SDR 20,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required: (i) for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit; and (ii) during the execution of the Program and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of Categories (1) through (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement, open and maintain in CFAF a special account in a banking institution satisfactory to the Association on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1994, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

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

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15 commencing September 15, 1999, and ending March 15, 2029. Each installment to and including the installment payable on March 15, 2009, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. (a) The Director of PCU is designated as representative of the Borrower 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.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts PCU with responsibility for the preparation of withdrawal applications under Category (8) of the table set forth in paragraph 1 of Schedule 1 to this Agreement and for the collection of the documents and other evidence to be furnished to the Association in support of such applications; such withdrawal applications shall, to the extent practicable, be consolidated so as to apply for withdrawal of aggregate amounts of not less than \$500,000 equivalent.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project (with the exclusion of Part C.3 (b)) through MEN with due diligence and efficiency and in conformity with

appropriate administrative, financial and educational practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall onlend to a banking institution (the "Participating Bank") acceptable to the Association under a Subsidiary Loan Agreement to be entered into between the Borrower and the Participating Bank the equivalent in CFAF of the proceeds of the Credit allocated to Category (7) of paragraph 1 of Schedule 1 to this Agreement under terms and conditions which shall have been approved by the Association which shall include: (i) interest at the rate of three percent (3%) per annum and a repayment period of ten years including a grace period of three years; and (ii) a requirement for the Participating Bank to pay into the Guaranty Fund referred to in paragraph (d) of this Section an amount equivalent to four percent (4%) of the interest collected by the Participating Bank on each loan extended to young graduates by the Participating Bank out of the proceeds so onlent to the Participating Bank pursuant to this paragraph.

(c) The Borrower shall cause the Participating Bank to onlend the proceeds of the Credit received pursuant to paragraph (b) above to selected micro-enterprises established by young graduates, meeting specific technical and financial criteria to be acceptable to the Association at an interest rate of twelve percent (12%) per annum with a maturity of six years including a grace period of one year.

(d) For the purposes of carrying out Part C. 3 (b) of the Project, the Borrower shall: (i) establish a fund (the "Guaranty Fund") to be managed in accordance with terms and conditions satisfactory to the Association; and (ii) ensure that the proceeds of the Guaranty Fund shall be used only to cover losses incurred by the Participating Bank with regard to loans extended to young graduates by the Participating Bank in accordance with the provisions of the Subsidiary Loan Agreement.

(e) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(f) The Borrower shall make available the proceeds of the Credit allocated and withdrawn under Category (1) (a) of paragraph 1 of Schedule 1 to this Agreement on a grant basis to selected APEs on terms and conditions to be acceptable to the Association.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and the imports required during execution of the Program and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Borrower and the Association shall, from time to time, and in any case not later than November 30 of each year the Project is being executed, starting with November 30, 1989, exchange views on the progress achieved in carrying out the Project, the Program and the actions specified in Schedule 4 to this Agreement.

(b) Prior to each such exchange of views as specified in paragraph (a) of this Section and not later than September 30 of each year, the Borrower shall furnish the following documentation satisfactory to the Association:

- (i) a report on the progress achieved in carrying out the Program, including a review of the accompanying studies and measures as well as of investments and expenditures in such detail as the Association shall reasonably request;
- (ii) MEN's revised three-year rolling Program of Investments and Public Expenditures; and
- (iii) MEN's draft budget for the next following fiscal year.

(c) The Borrower shall ensure that any new investment in the education sector, not included in the Program of Investments and Public Expenditures referred to in paragraph (b) of this Section, and having a value in excess of the equivalent of one million Dollars (\$1,000,000) be previously reviewed and agreed upon with the Association on the basis of a financial and economic study of such investment.

Section 3.04. In order to carry out Part A.3 of the Project the Borrower shall, with regard to the development of private education in its territory, and not later than March 31, 1990:

(a) revise the current regulatory framework in a manner satisfactory to the Association; and

(b) submit a plan of incentives satisfactory to the Association.

Section 3.05. In order to carry out Part A.4 of the Project the Borrower shall:

(a) not later than March 31, 1990, submit to the Association a study satisfactory to the Association on female participation in the Borrower's education system, including a timetable of actions to be taken; and

(b) promptly thereafter carry out the actions agreed upon with the Association as specified in paragraph (a) of this Section.

Section 3.06. The Borrower shall ensure that:

(a) during any of the first three school years following the date of this Agreement, the number of Borrower's new students enrolled for secondary general education does not exceed 2,500; and

(b) during the three school years following the date of this Agreement, the number of Borrower's new students enrolled for higher education, including those enrolled abroad, does not exceed 4,500.

Section 3.07. The Borrower shall ensure that, starting with January 1, 1990, an adequate percentage of local development taxes, in an amount of at least 30% of the yield, be earmarked to the financing of education.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

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

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

- (a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.
- (b) (i) Subject to subparagraph (ii) of this paragraph:
 - (A) The right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project or of the imports required during execution of the Program shall have been suspended, cancelled, or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or
 - (B) any such loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that:
 - (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and
 - (B) adequate funds are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that any event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) PCU has been reorganized in a manner satisfactory to the Association;

(b) a technical advisory to the Project Director acceptable to the Association has been recruited;

(c) FAEF has been established in a manner satisfactory to the Association;

(d) appropriate measures have been taken in a manner satisfactory to the Association: (i) to modify MEN's budget nomenclature so as to distinguish material from subsistence expenditures; and (ii) to distinguish the allocations to Cycle I from those to Cycle II in MEN's budget; and

(e) the USAID Grant Agreement has been executed on behalf of the Borrower and USAID.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of the Borrower at the time responsible for Finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministere des Finances et du Commerce
Bamako
Republic of Mali

Cable address:

Telex:

MINIFINANCES
Bamako

2559 MINIFINANCES

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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.

REPUBLIC OF MALI

By /s/ Nouhoum Samassekou

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Amount of the Credit Allocated (Expressed in CategorySDR Equivalent)	% of Expenditures to be Financed	
(1) Civil Works:		
(a) under Parts A.1 (b), A.2 (b) and A.3 (b) of the Project	3,800,000	50%
(b) other	1,200,000	100%
(2) Furniture, office supplies and equip- ment under Parts A, B.5, C and D of the Project	3,500,000	100%
(3) Textbooks and pedagogical materials for Cycle I	3,300,000	100%
(4) Consultants' services and studies	1,600,000	100%
(5) Training	300,000	100%
(6) Operating costs:		
(a) for Part D.4 of the Project	400,000	100%
(b) other	1,000,000	80%
(7) Goods and ser- vices financed by credits under Part C.3 (b) of the Project	800,000	80%
(8) Textbooks, pedago- gical materials and laboratory equipment for secondary and higher education required during execution of the Program	2,400,000	100%

(9) Refunding of Project Preparation Advance	700,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(10) Unallocated	1,200,000	
TOTAL	20,200,000	

2. For the purposes of this Schedule, the term "operating costs" means office supplies and vehicles operating costs expenses for travel related to the Project, and salary supplement as compensation for overtime work by teachers assigned to the pilot doubleshift teaching program.

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

(a) prior to the date of this Agreement;

(b) under Category (8) of paragraph 1 above for goods procured under contracts costing less than \$100,000 equivalent;

(c) under Category (1) (a) of paragraph 1 above until an agreement satisfactory to the Association has been entered into between the Borrower and VA to provide technical assistance to MEN for the implementation of Parts A.1, A.2 and A.3 of the Project;

(d) under Category (4) of paragraph 1 above until an agreement satisfactory to the Association has been entered into between the Borrower and an institution acceptable to the Association for the implementation of Parts C.1, D.1 and D.2 of the Project; and

(e) under Category (7) of paragraph 1 above until the UNDP/ILO Unit has been strengthened in a manner satisfactory to the Association.

4. (a) No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Credit allocated to Category (8) of paragraph 1 above after, under said Category, the aggregate of the proceeds of the Credit withdrawn from the Credit Account and the total amount of such commitments shall have reached the equivalent of SDR 800,000, unless the Association shall be satisfied, after an exchange of views as described in Section 3.03 (a) of this Agreement based on evidence satisfactory to the Association: (i) with the progress achieved by the Borrower in the carrying out of the Program; and (ii) that the actions described in Part A of Schedule 4 to this Agreement have been taken.

(b) No further such withdrawal or commitment shall be made in respect of expenditures to be financed out of the proceeds of the Credit allocated to Category (8) of paragraph 1 above after, under said Category, the aggregate of the proceeds of the Credit withdrawn from the Credit Account and the total amount of such commitments shall have reached the equivalent of SDR 1,600,000, unless the Association shall be satisfied, after an exchange of views as described in Section 3.03 (a) of this Agreement based on evidence satisfactory to the Association: (i) with the progress achieved by the Borrower in the carrying out of the Program; and (ii) that the actions described in Part B of Schedule 4 to this Agreement have been taken.

5. If, after any of the exchanges of views described in paragraph 4 above, the Association shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Association, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit allocated to Category (8) of paragraph 1 above or any part thereof.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to strengthen MEN's institutional

capabilities; (ii) to test, in the regions of Bamako, Segou and Sikasso, innovative approaches to increase enrollments in Cycle I; (iii) to provide, country-wide, the inputs needed to improve the efficiency and relevance of Cycle I; and (iv) to help develop and initiate a strategy for restructuring secondary and higher education.

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

Part A: Increasing the Supply of, and Demand for, Primary Education

1. Augmenting the supply of Cycle I schools in urban areas through: (a) introduction of minimum comfort conditions in about 375 classrooms to support an experimental double-shift teaching; and (b) provision of matching funds to finance: (i) minor repairs in about 1,000 classrooms; (ii) structure rehabilitation of about 235 classrooms; and (iii) construction of about 275 new classrooms.

2. Stimulating social demand for education in rural areas through: (a) supply of textbooks, equipment and materials; (b) construction and rehabilitation of related facilities; (c) financing of media campaigns; and (d) other promotional activities.

3. Providing incentives to the development of Cycle I private education through: (a) provision of financial assistance; and (b) provision of land and start-up subsidies to about 30 district schools in urban areas and about 30 village schools in rural areas.

4. Encouraging female participation in the education process through: (a) revision of curricula in Cycle I to include, inter alia, principles of health, nutrition and child care; (b) reinforcing female vocational training; (c) data collection and analysis of gender-specific issues at all levels of the education system; and (d) formulating and implementing recommendations to increase female school enrollment and women participation in teaching.

Part B: Improving the Quality and Relevance of Cycle I teaching

1. Reinforcing the capabilities of IPN by twinning it with a university-level institution in order to: (a) offer to its personnel short and long-term training; and (b) provide short-term specialist services.

2. Monitoring and evaluating the qualitative impact of Project activities by assessing: (a) student achievements; (b) classroom working conditions; and (c) parental perceptions about education.

3. Increasing Cycle I teachers' effectiveness through: (a) financing of a revision of the organization, curriculum and teaching for pre-service training; and (b) support of in-service training program for: (i) about 100 inspectors and pedagogic advisers; (ii) about 1,000 school directors; and (iii) about 3,000 teachers.

4. Revision of the Cycle I curriculum.

5. Providing both public and private schools with an adequate supply of textbooks and pedagogic materials by: (a) formulating and implementing an appropriate policy regarding the production and distribution of school textbooks; (b) completing eleven new textbooks and preparing their matching teachers' guides; (c) printing and reprinting about 1.1 million copies of new and existing textbooks plus about 40,000 teachers' guides; and (d) strengthening the existing storage and distribution systems at the central and regional levels.

6. Strengthening pedagogic support and control by: (a) in-service training of inspectors and pedagogic advisers; and (b) providing logistical means for MEN's National Directorate of Basic Teaching for each of the IEFs to permit regular school visits.

Part C: Initiating and Developing a Strategy for Restructuring Secondary and Higher Education

1. Reinforcing the capacities of the Directorate for Secondary Education and of the Directorate for Higher Education and Scientific Research of MEN.
2. Financing the formulation of a plan for the restructuring of secondary and higher education including recommendations to increase female school enrollment and access of women to teaching.
3. Supporting improvements to facilitate the first phase of the reform: (a) renovation and replenishment of libraries in the Grandes Ecoles; and (b) opening of a line of credit for financing selected micro-enterprises established by young graduates.

Part D: Strengthening of the Education Sector Planning and Management Capacity

1. Reinforcing the capacities of MEN's Directorate for Education Planning and Equipment in order to: (a) insure collection, analysis and publication of educational statistics; (b) maintain a country-wide school map; (c) monitor the flows of students; (d) conduct and disseminate surveys and studies on key sectoral issues; (e) inform and train other directorates in basic statistics and sectoral policy analysis; and (f) prepare and update a control panel on critical developments in the education sector.
2. Reinforcing the capacities of MEN's Directorate of Administrative and Financial Affairs in order to implement budget restructuring, staff redeployment and procurement rationalization measures.
3. Strengthening the decentralized management of education: (a) by providing seminars and training to: (i) MEN's National Directorate for Basic Education; (ii) MEN's Regional Education Directorate; and (iii) the IEFS; and (b) by providing logistical support and office equipment to MEN's National Directorate of Basic Teaching.
4. Reinforcing the capacities of: (a) PCU for Project implementation, management and coordination; and (b) PCU's Technical Studies Division for physical resource management.

* * *

The Project is expected to be completed by June 30, 1994.

SCHEDULE 3

Procurement and Consultants' Service

Section I. Procurement of Goods and Works for Categories (1) to (3) and (5) to (7) of paragraph 1 of Schedule 1 to this Agreement

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the "Guidelines").
2. To the extent practicable, contracts shall be grouped in bid packages estimated to cost the equivalent of \$100,000 or more each.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the Borrower's territory may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2

thereto.

Part D: Other Procurement Procedures

1. Items which cannot be grouped, or groups of items estimated to cost less than the equivalent of \$100,000 and not less than the equivalent of \$10,000, up to an aggregate amount not to exceed the equivalent of \$3,100,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Items or groups of items estimated to cost less than the equivalent of \$10,000 per contract, up to an aggregate amount not to exceed the equivalent of \$2,000,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Civil works under Category (1) (a) of paragraph 1 of Schedule 1 to this Agreement may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

1. (a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract, together with the other information required to be furnished to the Association pursuant to said paragraph 3, shall be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 10% is hereby specified for the purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in the carrying out of the Project described in Schedule 2 to this Agreement, the Borrower shall employ consultants and experts whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

Section III. Procurement of goods for Category (8) of paragraph 1 of Schedule 1 to this Agreement

1. Contracts for the procurement of goods shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the "Guidelines"), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. With respect to each contract referred to in paragraph 1 of this Section, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Association shall reasonably request.

SCHEDULE 4

Conditions for Release of Sector
Import Financing (Category (8) of
paragraph 1 of Schedule 1 to
this Agreement)

The following actions shall be taken consistent with the principles outlined in the Program and in a manner satisfactory to the Association:

Part A: Actions Referred to in Paragraph 4 (a) of Schedule 1 to this Agreement (Conditions for Release of Second Tranche)

1. The Borrower has: (a) kept MEN's recurrent budget at not less than 25 percent of the Borrower's recurrent budget; (b) increased the share of Cycle I financing in MEN's recurrent budget to not less than 40 percent; (c) kept the share of higher education financing in MEN's recurrent budget to not more than 19 percent; (d) increased the share of materials in MEN's recurrent budget to not less than eight percent; and (e) reduced the aggregate amount attributed to higher education scholarships by at least ten percent of the amount of the previous school year.

2. The Borrower has: (a) prepared a study on MEN's personnel policies and procedures, including proposals to reduce the number of Cycle II and secondary teachers and to establish appropriate levels of recruitment for Cycle I and Cycle II teachers; and (b) reviewed with the Association the recommendations contained therein.

3. The Borrower has modified its Decision No. 346 of March 23, 1986, and its Arrete No. 5728 of June 6, 1986, by providing that Cycle I teachers shall be: (a) recruited among upper secondary education graduates; and (b) trained, in accordance with a curriculum acceptable to the Association, for

not more than two years.

4. The Borrower has adopted a staffing plan for teachers insuring a student-teacher ratio of at least 35 to 1 for Cycle I; 18 to 1 for Cycle II; and 10 to 1 for secondary education.

5. The Borrower has submitted a plan satisfactory to the Association for the utilization of existing facilities of training colleges for cycle II teachers.

6. The Borrower has submitted a plan satisfactory to the Association for restructuring its secondary general, technical and vocational, and higher education system.

Part B: Actions Referred to in Paragraph 4 (b) of Schedule 1 to this Agreement (conditions for Release of Third Tranche)

1. The Borrower has: (a) kept MEN's recurrent budget at not less than 25 percent of the Borrower's recurrent budget; (b) increased the share of Cycle I financing in MEN's recurrent budget to not less than 42 percent; (c) kept the share of higher education financing in MEN's recurrent budget to not more than 19 percent; (d) increased the share of materials in MEN's recurrent budget to not less than nine percent; and (e) reduced the aggregate amount attributed to higher education scholarships by at least five percent of the amount of the previous school year.

2. Satisfactory progress has been made in implementing the action plan referred to in Part A.6 of this Schedule.

3. A student-teacher ratio of at least 36 to 1 for Cycle I; 20 to 1 for Cycle II; and 12 to 1 for secondary education has been reached under the staffing plan referred to in Part A.4 of this Schedule.

4. The Borrower has submitted a plan for the revision of Cycle I curricula satisfactory to the Association.

5. The Borrower has implemented the recommendations of the study provided for in Part A.2 (a) of this Schedule, reviewed in accordance with Part A.2 (b) of this Schedule and satisfactory to the Association.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) to (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to CFAF 500,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of such Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special

Account such amount or amounts as the Borrower shall have requested.

- (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.
- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the relevant eligible Categories less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

