

CONFORMED COPY

CREDIT NUMBER 3318-MLI

Development Credit Agreement

(Improving Learning in Primary Schools Project)

between

REPUBLIC OF MALI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 26, 2000

CREDIT NUMBER 3318 MLI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 26, 2000, between the Republic of Mali (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; 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 (as amended through December 2, 1997 (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) "FCFA" means "Franc de la Communauté Financière Africaine, the currency of the Borrower;

(b) "Community" means a geographic administrative entity in the territory of the Borrower;

(c) "DAF" means Direction Administrative et Financière, a division in MEB (as hereinafter defined) in charge of administrative and financial matters;

(d) "MEB" means Ministère de l'Education de Base, the Borrower's Ministry in charge of basic education;

(e) "PCU" means project coordination unit, the unit within the MEB responsible for the carrying out of the Project;

(f) "Pédagogie Convergente" or "PC" means a package of educational measures based on specific child-centered pedagogy the core ingredient of which is the bilingual teaching of basic subjects in the mother tongue of the pupil, concomitant with French, the official language of instruction of the Borrower, in the first six levels of basic primary education, as further defined in the Program;

(g) "PRODEC" means "Programme décennal à horizon mobile retenu pour le développement du secteur de l'éducation" - the Borrower's ten year rolling education strategy;

(h) "Project Account" means the account referred to in Section 3.02 of this Agreement;

(i) "Project Implementation Manual" or "PIM" means the Manuel d'Exécution adopted by the Borrower on December 23, 1999, and referred to in paragraph 1 of Schedule 4 to this Agreement containing, inter alia: (i) arrangements regarding implementation including disbursement and procurement, management, monitoring, supervision, and evaluation of the project; (ii) the annual work program and budget for the first year of the project; and (iii) any other procedures to be used for the purpose of implementing the Project, as such may be amended from time to time with the approval of the Association and such term includes any schedules and annexes to the PIM;

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

(k) "School Improvement Pilot Activities" means any number of activities developed by a basic school community in partnership with the respective school administration, designed to improve the effectiveness of learning;

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

(m) "Steering Committee" means the Comité directeur, the Borrower's committee in charge of basic education policy decisions, assessment of Project results and coordination of the Borrower's educational policy.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to two million eight hundred thousand Special Drawing Rights (SDR 2,800,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for

expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2003, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (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 from the next 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 February 1 and August 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1, commencing February 1, 2010 and ending August 1, 2039. Each installment to and including the installment payable on August 1, 2019 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by: (A) 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; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate educational, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. The Borrower shall:

(a) open an account in FCFA in a commercial bank acceptable to the Association, and thereafter maintain said Project Account under terms and conditions acceptable to the Association until the completion of the Project;

(b) deposit into the Project Account: (i) an initial amount of FCFA 50,000,000; and (ii) thereafter, replenish the Project Account by the amounts required to finance the Borrower's share of expenditures required for the execution of the Project, agreed between the Borrower and the Association; and

(c) ensure that funds deposited into the Project Account in accordance with paragraphs (a) and (b) of this Section shall be used exclusively to finance the Borrower's contribution for expenditures under the Project other than those financed from the proceeds of the Credit.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall: (a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future extension of the results of the Project; and (b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial and other 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, 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 and 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 Project Management Reports or statements of expenditure, the Borrower shall:

(i) maintain, or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account 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;

(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; and

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

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than 18 months after the Effectiveness Date, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

(i) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, (work program and budget) and projected sources and applications of funds for the Project for the six-month period following the period covered by said report;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report and explains variances between the actual and previously forecast implementation targets, as the case may be; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the development of the project management reporting system, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Bank no later than 30 days after the end of each calendar quarter a Project Management Report for such period, and the fourth quarter report shall be supplemented with an annual report.

ARTICLE V

Effective Date; Termination

Section 5.01. 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: The Borrower has:

(a) established the Project Account and deposited therein the initial deposit referred to in Section 3.02 (b) of this Agreement;

(b) appointed the auditors referred to in Section 4.01 (b) of this Agreement, under terms and conditions acceptable to the Association and in accordance with the provisions of Section II of Schedule 3 to this Agreement; and

(c) appointed a financial specialist/accountant in PCU and established a Project accounting and financial information management system in PCU, acceptable to the Association.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of the Borrower at the time responsible for economy is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Economy, Planning and Integration BP E-3062
Bamako
Republic of Mali

For the Association:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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/ Cheick Oumar Diarra

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib

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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Goods	300,000	100% of foreign expenditures and 85% of local expenditures
(2) Consultants' Services for:		100%
(a) studies, training and workshop	1,500,000	
(b) school improvement pilot activities	200,000	
(3) Operating costs	450,000	70%
(4) Unallocated	350,000	
TOTAL	2,800,000	

2. For the purposes of this Schedule:

(a) the term "goods" means manuals, textbooks, vehicles, office furniture and other related equipment required for the implementation of the Project;

(b) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(c) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; provided, however, that, if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures"; and

(d) the term "operating costs" means the incremental expenses incurred on account of Project implementation, management and monitoring, including office supplies, vehicle and equipment operation and maintenance, travel, supervision and audit costs, but excluding salaries of officials and public servants of the Borrower's civil service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure: (i) for expenditures for training activities and operating costs, (ii) for goods under contracts costing less than \$50,000 equivalent each, (iii) for services under contracts with consultant firms costing less than \$100,000 equivalent each, and (iv) with individual consultants costing less than \$50,000 equivalent each, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to strengthen development and evaluate the results of bilingual education in the territory of the Borrower, taking into account financial and educational sustainability.

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: Bilingual learning reform in basic education

1. Design and development of:

(a) a basic educational curriculum in six selected national languages and in French in the subjects of reading, mathematics and French; and

(b) tools to monitor classroom and sector level performance and carrying out evaluation activities through the provision of technical advisory services and the acquisition of equipment.

2. Production, acquisition and distribution of textbooks, teaching and learning materials in six selected national languages for grades 1, 2 and 3 to selected schools.

3. Provision of training in PC to selected teachers and school administrators and pedagogic advisors.

4. Strengthening institutional capacity in MEB for pedagogic program evaluation and learning assessment through the provision of training and workshops, the acquisition of computer equipment and related software and other equipment.

Part B: Testing Family-, Community- and School-Partnerships for Effectiveness in Learning and School Performance

1. Design, development and testing of:

(a) training modules on adult literacy;

(b) participatory operational strategies to strengthen partnerships between the family, the school and the community to increase school effectiveness and local capacity for school management; and

(c) communication strategies, including awareness and information, education and communication campaigns to support the expansion of PC in selected national languages in the territory of the Borrower through the provision of technical advisory services.

2. Carrying out of School Improvement Activities in selected basic primary schools.
3. Strengthening of institutional capacity of MEB at the central and regional levels to support participatory management through the provision of technical advisory services, training, workshops and seminars, and acquisition of equipment.

Part C: Decentralization of the educational system of the Borrower

1. Carrying out of studies and workshops to develop and test the decentralization of financial management and administrative management procedures in five selected Communities of the Borrower, through the provision of technical advisory services.
2. Provision of technical advisory services to carry out an evaluation of the pilot experiences and disseminate lessons learned.
3. Provision of technical advisory services, training and workshops to the Steering Committee in the areas of evaluation, assessment and guidance for enhancement of its capacity to oversee the studies and test activities.

Part D: Strengthening Institutional Capacity in Project Administration.

1. Provision of technical advisory services and training in Project administration to selected staff of PCU and DAF and acquisition of equipment.
2. Carrying out of annual Project performance evaluations.

* * *

The Project is expected to be completed by December 31, 2002.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999, and the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.
2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts.

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods.

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$440,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures, as the case may be, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract under Parts B.1, C.1 and C.2. of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

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

Part B: Quality- and Cost-based Selection

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

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract for firms and less than \$50,000 per contract for individual consultants may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services under Part B of the Project may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

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

1. Selection Planning

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

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

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

3. Post Review

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

SCHEDULE 4

Implementation Program

1. The Borrower shall carry out the Project in accordance with the procedures, guidelines, timetables and criteria set forth in the Project Implementation Manual and, except as the Association shall otherwise agree, the Borrower shall not amend, abrogate or waive any provision thereof if, in the opinion of the Association, such amendment, abrogation or waiver may materially and adversely affect the implementation of the Project.

2. The Borrower shall maintain until the completion of the Project policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof.

3. The Borrower shall:

(a) prepare, under terms of reference satisfactory to the Association, and furnish to the Steering Committee and the Association, semiannually until the completion of the Project, for the first time by April 30, 2000, or such other date as the Association shall agree, until the time the Association shall receive the Project Management Reports referred to in Section 4.02 (b) of this Agreement, for its review and comments, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (b) of this paragraph, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;

(b) furnish to the Association, within four weeks following the submission of the report referred to in paragraph 2 of this paragraph the opinion of the Steering Committee; and

(c) review with the Association, within four weeks following the submission of the report referred to in subparagraph (b) of this paragraph, said report and the report referred to in subparagraph (a) of this paragraph, and thereafter, take all measures required to ensure the efficient completion of the Project and the

achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Steering Committee's and the Association's views on the matter.

4. (a) The Borrower shall, by December 31 of each year, commencing December 31, 2000 or such later date as the Association may agree, carry out jointly with the Association an annual review of the Project (Annual Review), and shall take all actions it considers necessary to ensure, in such Annual Review, the participation of representatives of parents- community- and teacher organizations pertaining to schools applying PC. Such Annual Review shall cover the progress achieved in the execution of the Project including, inter alia, the proposed work programs to be carried out during the following year and related budgets; and

(b) Promptly following said Annual Review, the Borrower shall carry out said work programs in accordance with the PIM and the modalities and procedures approved by the Association, if any.

5. The Borrower shall:

(a) by June 30, 2001 or such other date as the Association shall agree upon, the Borrower shall carry out jointly with the Association, a mid-term review (Midterm Review). The Borrower shall take all actions it considers necessary to ensure the participation of representatives of parents-, community- and teacher- organizations within PC-method applying-schools in such Midterm Review. Such Midterm Review shall cover the progress achieved in the implementation of the Project;

(b) No later than one month prior to the Midterm Review, the Borrower shall furnish to the Association, for its review and comments, a report, established by an independent consultant recruited in accordance with the provisions of Section II of Annex 3 to this Agreement pursuant to mutually acceptable terms of reference, on the implementation of the Project, including, inter alia: (i) effectiveness of training; (ii) adequacy of institutional arrangements and operational strategies, and (iii) implementation of part B.3 of the Project in view of the evaluation criteria set forth in Schedule 6; and

(c) Following such Midterm Review, the Borrower shall act promptly and diligently in order to take any corrective action deemed necessary by the Association to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the Borrower and the Association in furtherance of the objectives of the Project.

6. The Borrower shall, until the completion of the Project:

(a) maintain within PCU the following staff with qualifications and experience, satisfactory to the Association: (i) the Project Coordinator, (ii) three component leaders for each of the activities set forth under Parts A, B and C of the Project, respectively, (iii) a specialist in charge of finances/accounting, and (iv) a procurement specialist. The Project Coordinator shall be responsible for furnishing to the Steering committee and the Association, for review and comment, the Project progress reports; and

(b) maintain the Steering Committee, under the chairmanship of the Secretary General of MEB, with membership of the directors of MEB technical departments, a representative of the Cellule Technique du PRODEC, established by Decree No. 98 231/PM-RM, dated July 9, 1998, of the Borrower, and representatives of the Fédération Nationale des Associations des Parents d'Elèves et d'Étudiants du Mali, established pursuant to their internal statutes, dated September 25, 1992, validated by récépissé d'association no. 1065 of the Borrower's Ministry in charge of Territorial Administration and Security, dated October 14, 1992.

7. The Borrower shall, within three months after the Effectiveness Date or such later date as the Association shall determine, carry out a study pursuant to Part C.2 of the Project establishing a communication strategy aimed at gaining support within communities and decision makers for the PC method and submit said study to the Association for its review and comments, and implement the recommendations of said study taking the Association's views into account.

8. The Borrower shall, by March 30, 2000, or at such later time as the Association shall determine: (a) furnish to the Association, for its review and comments, a draft procurement plan for the second and third year of Project implementation; and (b) by April 15, 2000, adopt said plan, taking the recommendations of the Association into account.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (3) 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 of FCFA 200,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount of FCFA 100,000,000 plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 800,000.

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

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

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

(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; and

(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 replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit 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; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

(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.

SCHEDULE 6

Performance Monitoring, Outcome and Development Indicators

A. Performance Monitoring Indicators

1. Annually reviewed:

(a) Interactive and individual teaching methods are used in 70% of participating schools in each year during Project implementation; and

(b) 60% of school management committees adopt a school improvement plan within 6 months.

2. Reviewed at mid-term of the Project

(a) learning standards and expected competencies have been developed for each grade at the primary level;

(b) baseline data collected for comparing drop-out and repetition rates in the PC and other schools for the cost-effectiveness study; and

(c) new evaluation systems and school data banks have been established and are operating.

B. Outcome and development indicators

1. Outcomes at Closing Date:

(a) the PC method is used in six languages in approximately 700 (seven hundred) schools in the territory of the Borrower;

(b) students' repetition and drop out rates are lower in schools applying PC than in comparable other schools; and

(c) test scores for student skills in reading, French and mathematics will be higher in schools applying PC than in comparable other schools.

2. Development impact:

(a) the introduction of the PC method is demonstrated to be more cost-effective than other teaching approaches at the primary level after allowing for the initial higher cost of supplementary national language learning materials, teacher training and supervision; and

(b) equal access to learning materials has been established, measured in one textbook per student in PC applying schools for grades 1-3 in six national languages.

