

CONFORMED

GRANT NUMBER H127 COB

Development Grant Agreement

(Support to Basic Education Project)

between

REPUBLIC OF CONGO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 4, 2004

CONFORMED

GRANT NUMBER H127 COB

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated October 4, 2004, between REPUBLIC OF CONGO (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Recipient, dated July 14, 2004, describing a program of actions, objectives and policies designed to improve delivery of quality education services for primary and secondary levels (the Program) and declaring the Recipient's commitment to the execution of the Program;

(B) the Recipient, 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

(C) the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Grant to the Recipient 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 May 1, 2004), with the modifications set forth in Schedule 7 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

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

(a) “Beneficiary” means a school or a community selected to carry out activities aimed at rehabilitating school infrastructure under a SIP (as hereinafter defined) approved in accordance with the provisions of Part C of Schedule 4 to this Agreement;

(b) “DDEPSA” means *Direction Départementale de l’Enseignement Primaire et Secondaire* of the Recipient;

(c) “DSC” means the Recipient’s Department Selection Committee of the Recipient for the purpose of carrying out Part B of the Project;

(d) “ESMF” means the Environmental and Social Management Framework referred to in paragraph 3 of Schedule 4 to this Agreement;

(e) “EMIS” means the Education Management Information System referred to under Part A.2 of the Project;

(f) “ENI” means the *Ecole Normale d’Instituteurs* referred to under Part C.4 of the Project;

(g) “FCFA” means *Franc de la Coopération Financière en Afrique Centrale*, the currency of the Recipient;

(h) “Fiscal Year” means the Recipient’s fiscal year commencing on January 1 and ending on December 31 of each year;

(i) “FMR” means each Financial Management Report prepared in accordance with Section 4.02 of this Agreement;

(j) “MEPSA” means the Recipient’s *Ministère de l’Enseignement Primaire et Secondaire chargé de l’Alphabétisation* (Ministry of Primary and Secondary Education and Alphabetization);

(k) “PCU” means the Project Coordination Unit, referred to in paragraph 2 (a) of Schedule 4 to this Agreement;

(l) “PIM” means the “Project Implementation Manual” adopted by the Recipient pursuant to Section 6.01 (b) of this Agreement including *inter alia* policies: financial, administrative, procurement and accounting procedures as well as guidelines to be followed in the implementation, monitoring and evaluation of the Project as the same may be amended from time to time and such terms include any schedule to the PIM;

(m) "Procurement Plan" means the Recipient's procurement plan, dated August 18, 2004 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(n) "Project Preparation Advance" means the project preparation advance granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on February 19, 2004 and on behalf of the Recipient on March 2, 2004;

(o) "PSC" means the Project Steering Committee, referred to in paragraph 2 (a) of Schedule 4 to this Agreement;

(p) "SIP" means School Improvement Plans, referred to under Part B of Schedule 4 to this Agreement;

(q) "SIP Financing Agreement" means the agreement to be entered into between the SP (as hereinafter defined) and a Beneficiary for the purpose of carrying out a SIP under Part B of the Project;

(r) "SIP Financing" means the financing made, or proposed to be made, by the SP to a Beneficiary through a SIP Financing Agreement for financing the implementation of a SIP under Part B of the Project, utilizing proceeds of the Grant made available by the Recipient to the SP for the benefit of eligible SIPs;

(s) "SMC" means the Recipient's School Management Committees for the purpose of carrying out Part B of the Project;

(t) "SP" means the Service Provider referred to in Section 3.02 of this Agreement; and

(u) "Special Account" means the special account referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to thirteen million eight hundred thousand Special Drawing Rights (SDR 13,800,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant 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 works, goods and services required for carrying out the Project and to be financed out of the proceeds of the Grant; and

- (ii) amounts paid (or if the Association shall so agree, amounts to be paid) by the SP on account of withdrawals made for the benefit of Beneficiaries under SIP Financial Agreement, to meet the reasonable costs of works, goods and services to be financed under Part B of the Project out of the proceeds of the Grant, and in respect of which the withdrawal from the Grant Account is requested;

(b) The Recipient may, for the purposes of the Project, open and maintain in FCFA 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.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Recipient, withdraw from the Grant 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 canceled.

Section 2.03. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant 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 dates on which amounts shall be withdrawn by the Recipient from the Grant 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 2.04 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 Recipient; and (iii) in currency specified in this Agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of Section 4.02 of the General Conditions.

Section 2.04. Commitment charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.05. The Closing Date shall be December 31, 2008 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

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

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

Section 3.02. For the purposes of carrying out Part B of the Project, the Recipient shall: (a) conclude an appropriate contract with the SP under terms and conditions which shall have been approved by the Association; (b) ensure that the SP has qualifications and experience that shall be at all times satisfactory to the Association; and (c) take all measures required on its part to enable the SP to implement the contract referred to under paragraph (a) above with due diligence in accordance with the modalities set forth in the PIM.

Section 3.03. (a) Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.04. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient shall:

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall establish and maintain, a financial management system, including records and accounts, and prepare financial statements, all in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations, resources and expenditures related to the Project.

(b) The Recipient shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each semester (or other period determined by the Association) audited, in accordance with auditing standards acceptable to the Association, 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 four months after the end of each such semester (or such other period determined by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such semester (or other period determined by the Association), as so audited, and (B) an opinion on such statements, records and accounts, and 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 such records, accounts and financial statements and the audit thereof, and concerning said auditors, as the Association shall from time to time reasonably request.

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

- (i) retain, until at least two years after the Association has received the audit report for the semester (or other period determined by the Association) in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statement of expenditure are included in the audit for each semester (or other period determined by the Association) referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in paragraph 2 (c) of Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Association a FMR, in form and substance satisfactory to the Association, which:

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

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or significant part thereof, will be carried out.

ARTICLE VI

Effectiveness; Termination

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

(a) the Recipient has recruited: (i) the SP referred to in Section 3.02 of this Agreement, and (ii) the financial management agency, all in accordance with the provisions of Section III of Schedule 3 to this Agreement; and

(b) the Recipient has: (i) adopted the PIM, in form and substance satisfactory to the Association, and (ii) established the PSC and the PCU all in accordance with the provision of paragraph 2 (a) of Schedule 4 to this Agreement.

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 Recipient; Addresses

Section 7.01. The Minister of the Recipient responsible for finance of the Recipient is designated as representative of the Recipient 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 Recipient:

Minister of Economy, Finance and Budget
Ministry of Economy, Finance and Budget
B.P. 2083
Brazzaville
Republic of Congo

Facsimile: (242) 814 145

For the Association:

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

Cable address:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)
64145 (MCI)

(202) 477 6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their names in Washington, District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF CONGO

By /s/ Rigobert Roger Andely

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Emmanuel Mbi

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

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

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	2,900,000	100%
(2) Consultants' Services and Audits	960,000	100%
(3) Training and Workshops	1,550,000	100%
(4) Operating Costs	60,000	100%
(5) SIP under Part B of the Project	7,460,000	100% of the amounts disbursed
(6) Refunding of Project Preparation Advance	450,000	Section 2.02 (c) of this Agreement
(7) Unallocated	420,000	
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Total	13,800,000	
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2. For the purposes of this Schedule, the term:

(a) "Operating Costs" means the incremental expenses incurred on account of Project implementation, including office supplies, vehicle operation and maintenance, communication and insurance costs, Special Account banking charges, rental expenses, office maintenance costs, office equipment maintenance, utilities, documents duplication/printing, consumables, travel cost and per diem for Project staff for travel

linked to the implementation of the Project and salaries of contractual staff for the Project, but excluding salaries of officials of the Recipient's civil service; and

(b) "Training and Workshop" includes workshops on Project activities, purchase of training materials, rental of training facilities, health insurance for travel abroad, per diem and travel costs.

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 Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$150,000 equivalent per contract; (b) works costing less than \$200,000 equivalent per contract; (c) for services of consulting firms under contracts costing less than \$100,000 equivalent per contract; and (d) for services of individual consultants costing less than \$50,000 equivalent per contract, all under such terms and conditions as the Association shall specify by notice to the Recipient.

SCHEDULE 2

Description of the Project

The objectives of the Project are to support the Recipient's effort to improve the quality of basic education by: (a) increasing efficiency in allocation and management of budgetary resources earmarked for basic education, and (b) fostering equitable access to education services with emphasis on underserved areas, out of school youth, and other minority groups, such as pygmies.

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

Part A: Capacity Enhancement for MEPSA

1. Strengthening MEPSA's capacity to formulate and implement a decentralization scheme designed to improve internal efficiency in the Recipient's primary and secondary education sectors.
2. Design and establishment of an adequate EMIS aimed at collecting and analyzing data required to formulate a long-term program to improve efficiency of the Recipient's education sector.
3. Formulation and execution of action plans aimed at improving the management of human and financial resources in the education sector, both at the central level and at the decentralized level.
4. Enhancing the skills of staff in the use of information and communication technology and statistical data so as to improve their capacity to formulate adequate education plans and budgets related thereto.
5. Acquisition of computers and office equipments.

Part B: Rehabilitation of School Infrastructure

1. Rehabilitation of schools buildings based on SIPs prepared by SMCs, including, *inter alia*: (a) reconstruction of about 800 classrooms, (b) latrines, (c) water wells for schools in rural areas, (d) rehabilitation/reconstruction of administrative offices in

selected schools, (e) construction of teacher's housing on rural areas, and (f) provision of didactic materials and other equipments.

Part C: Support to the Improvement of Quality of Education

Implementation of a scheme designed to improve the quality of teaching in primary and secondary education through:

1. Provision of training for: (a) teachers in primary and secondary schools; and (b) schools directors, pedagogical advisers and schools' inspectors.
2. Acquisition of selected textbooks and pedagogical guides and distribution of the same in primary and secondary schools of the Recipient.
3. Revision of the curriculum for secondary education with a view to adapting the same to the current development needs of the Recipient.
4. Carrying out of an assessment of the curriculum and pedagogical practices currently used in ENIs and formulation of recommendations designed to improve the quality of teaching outputs at ENIs.

Part D: Delivery of Formal and Non-formal Education Services to Out-of-School Youth and Pygmies.

Design and implementation of a pilot scheme aimed at delivering formal and non-formal education to out-of-school youth and other vulnerable youth, including pygmies.

* * *

The Project is expected to be completed by June 30, 2008.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

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

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$150,000 equivalent per contract and works estimated to cost less than \$200,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. Goods and works estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

3. Community Participation. Goods, works and services required for Part B of the Project may be procured on the basis of Community Participation may be procured in accordance with the provisions of paragraph 3.17 of the Procurement Guidelines and the PIM.
4. Direct Contracting. Goods and works, which the Association agrees, meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.
5. Force Account. Works, which the Association agrees meet the requirements for Force Account, may be carried out in accordance with the provisions of paragraphs 3.7 and 3.8 of the Procurement Guidelines
6. Procurement from UN Agencies. Goods estimated to cost less than \$50,000 equivalent per contract may be procured directly from IAPSO, Inter-Agency Procurement Services Office, in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

B: Other Procedures

1. Quality-based Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.
2. Least-cost Selection. Services for assignments, which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.
3. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in

accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

4. Single Source Selection. Services for tasks in circumstances, which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

5. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Section IV. Review by the Association of Procurement Decisions

1. The Procurement Plan shall set forth those contracts, which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

2. Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) the first 3 contracts for works and the first 3 contracts for goods procured on the basis of each applicable method of procurement, irrespective of their estimated cost; (b) each contract for works estimated to cost the equivalent of \$200,000 or more, (c) each contract for goods estimated to cost the equivalent of \$150,000 or more procured on the basis of International Competitive Bidding or Direct Contracting; and (d) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more. In addition, the record of justification referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines for each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more shall be subject to Prior Review by the Association. All other contracts shall be subject to Post Review by the Association.

Section V. Training

1. All training, workshops, and study tours to be financed with financing funds under the project shall be subject to prior approval of the Association, as indicated in the PIM.

SCHEDULE 4

Implementation Program

Part A: Project Implementation Manual, Reports and Reviews

1. Except as the Association shall otherwise agree, The Recipient shall: (a) apply the criteria, policies, procedures and arrangements set out in the PIM; and (b) not amend or waive, or permit to be amended or waived, the PIM or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

2. The Recipient shall:

(a) maintain or cause to be maintained PSC, DSC, SMC and PCU in form and with function, staffing, and resources satisfactory to the Association and as detailed in the PIM;

(b) maintain or cause to be maintained policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(c) prepare through PCU, under terms of reference satisfactory to the Association, and furnish to the Association, no later than January 31 and July 31 of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (b) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out the objectives of the Project; and

(d) review with the Association, not later than 2 months after the submission of the report or such later date as the Association shall request, and, thereafter, take all measures required to ensure the efficient completion of the achievements to the objectives of the Project.

3. The Recipient shall implement ESMF in accordance with the modalities set forth in the PIM.

4. The Recipient shall carry out with the Association a midterm review of the progress made in carrying out the Project (hereafter referred to as the Midterm Review).

- (a) The Midterm Review shall cover, amongst other things:
 - (i) progress made in meeting the Project's objectives;
 - (ii) results of the monitoring and evaluation activities under the Project; and
 - (iii) overall Project performance against Project performance indicators.

(b) The Recipient shall, at least 2 months prior to the Midterm Review, furnish to the Association a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

(c) The Recipient shall, not later than 2 months after the Midterm Review, prepare an action program, acceptable to the Association, for the further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

Part B: Eligibility Criteria Financing of SIPs

5. Without limitation to the provisions of paragraph A.1 of this Schedule 4, no SIP shall be eligible for financing out of the proceeds of the Grant unless the SMC and DSC shall have determined, on the basis of an appraisal satisfactory to the DSC and the SP in accordance with the guidelines set forth in the PIM, that the relevant SIP satisfies the eligibility criteria specified in the PIM, which shall include the following:

- (a) the SIP shall be for the carrying out of activities pertaining to construction or rehabilitation of school infrastructure and community administration of schools;
- (b) the SIP shall be carried out, by DDEPSA, with the technical assistance of the SP; and
- (c) the SIP shall be in compliance with the standards set forth in the laws of the Borrower relating to school infrastructure, safety and environmental protection.

Part C: Terms and Conditions for SIP Financing

6. The SP shall enter into SIP Grant Agreements with the Beneficiary concerned, under terms and conditions which shall include the following:

- (a) financing shall be on a grant basis;
- (b) the requirement that the goods, works and services to be financed out of the proceeds of the SIP Grant be procured in conformity with the provisions set forth in Schedule 3 to this Agreement and the PIM and that such goods, works and services shall be used exclusively in the carrying out of the SIPS;
- (c) the right of the SP to inspect by itself, or jointly with the Association and the Recipient, the goods, works, sites, plants and constructions included in the SIP, the operation thereof an any record or relevant document; and
- (d) the right of the SP to suspend or terminate the right of the Beneficiary to use the proceeds of the Grant upon failure by the Beneficiary to perform any of its obligations under the SIP Grant Agreement.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1) through (5) 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 Grant 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 FCFA 800,000,000 to be withdrawn from the Grant 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 equivalent to FCFA 400,000,000 until the aggregate amount of withdrawals from the Grant Account 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 4,000,000.
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 Recipient 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 Recipient, withdraw from the Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.
 - (b) (i) For replenishment of the Special Account, the Recipient 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 Recipient 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 Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by the 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 Grant 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 Recipient out of the Special Account, the Recipient shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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 Recipient directly from the Grant 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 Recipient 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 the 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 Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

- (d) once the total unwithdrawn amount of the Grant allocated to the eligible Categories for the Special Account, 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 Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures, as the Association shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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 Recipient 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 Recipient 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 Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

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

SCHEDULE 6

Performance Indicators

Indicator	By midterm	End of Project
Net entrance last year of primary in urban areas	60%	70%
Net entrance last year of primary in rural areas	35%	40%
Primary repetition rates in urban areas	15%	12%
Primary repetition rates in rural areas	25%	18%
Teacher/Pupil ratio	1/80	1/60
Increased share of Public Expenditure on education	3.8% GDP	4.7% GDP
Recurrent non salary expenditures	12%	16%

SCHEDULE 7

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Sections 3.02, 3.03, 3.04(a), 3.04(b), 3.05, 6.05, Article VII, are deleted in their entirety.

2. Wherever used in the General Conditions, the following terms are modified to read as follows:

(a) The term “Borrower” is modified to read “Recipient”.

(b) The term “Credit” is modified to read “Grant”.

(c) The term “credit” is modified to read “grant”; except that where used in Sections 6.02 (a) (ii) and 6.02 (c) (i), as modified below, the term “credit” shall continue to read “credit”.

(d) The term “Credit Account” is modified to read “Grant Account”.

(e) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.

3. Article IV is modified as follows:

(a) Section 4.02 (a) and the heading of Section 4.02 are modified to read as follows:

“Section 4.02 Currencies in which Commitment Charges are Payable

(a) The Recipient shall pay the commitment charge on the Grant in the currency specified in the Development Grant Agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”

- (b) Wherever used in Section 4.02 (c) and (e) of the General Conditions the words “principal and service charges” are modified to read “commitment charge”.
- (c) Section 4.03 and its heading are modified to read as follows:

“Section 4.03. Amount of the Grant

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”

- 4. Section 6.02 is modified as follows:

- (a) The phrase “any other development credit agreement” in Section 6.02 (a) (ii) is modified to read: “any other development grant agreement or any development credit agreement or development financing agreement”.
- (b) The phrase “any development credit agreement” in Section 6.02 (c) (i) is modified to read: “any development grant agreement, development credit agreement or development financing agreement”.

- 5. The words “The principal of, and any other charges on” in paragraph (a) of Section 8.01 are modified to read “The commitment charge on”.

- 6. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. Termination of Development Grant Agreement.

The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”

