

CONFORMED COPY

CREDIT NUMBER 4231-SE

Financing Agreement

(Second Quality Education for All Project)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 20, 2006

CREDIT NUMBER 4231-SE

FINANCING AGREEMENT

AGREEMENT dated November 20, 2006, between REPUBLIC OF SENEGAL (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

WHEREAS:

- (A) the Association has received a letter, dated February 14, 2000, from the Recipient describing a program of actions, objectives and policies designed to strengthen the Recipient’s educational sector (the Letter) and to implement a Ten-Year Education and Training Program (TYETP) (the Letter and the TYETP are collectively referred to as the Program), and declaring the Recipient’s commitment to the execution of the Program;
- (B) the Recipient has requested that the Association support its execution of the Program through a series of Credits over a period of 10 years, the proceeds of such Credits to be utilized by the Recipient for implementing the Program;
- (C) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, which constitutes the second phase of the Program, has requested the Association to assist in the financing of the Project; and
- (D) the Recipient and the Association have entered into a Development Credit Agreement dated April 28, 2000 under which the Association has provided thirty-six million seven hundred thousand Special Drawing Rights (SDR 36,700,000) in support of the first phase of the Program (the First Credit).

The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

- 1.02. Unless the context requires otherwise, the capitalized terms used in the Financing Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to twenty million five hundred thousand Special Drawing Rights (SDR 20,500,000) (“Credit”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are January 15 and July 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is EURO.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension is that a situation shall have arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.
- 4.02. The Additional Event of Acceleration is that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consists of the following:

The Recipient has hired external auditors, with qualifications, experience and terms of reference acceptable to the Association.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Minister at the time responsible for Economy and Finance.

6.02. The Recipient's Address is:

Ministry of Economy and Finance
Rue René N'diaye
B.P. 4017
Dakar, Senegal

Cable:	Telex:	Facsimile:
MINIFINANCES	3203 G	221-821-1630

6.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

AGREED at Dakar, Republic of Senegal, as of the day and year first above written.

REPUBLIC OF SENEGAL

By:

/s/ Abdoulaye Diop
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

/s/ Madani M. Tall
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to enhance the quality of the Recipient's education system through the improvement of teaching and learning practices.

The Project constitutes the second phase of the Program, and consists of the following parts:

Part 1. Expanding Access and Improving Retention in Elementary and Middle Schools

- A. Construction of about 28 middle schools in underserved areas.
- B. Construction of about 300 toilet blocks and about 170 water points in existing elementary schools.
- C. Provision of grants to Literacy Subproject Beneficiaries for financing literacy courses.

Part 2. Improving Education Quality

- A. Financing the implementation of activities under action plans of *Inspections d'Académie* and *Inspections Départementales* designed to improve quality of education at regional and departmental levels.
- B. Improving the quality of education through the implementation of a grant program for a school-based grants program.
- C. Provision of learning materials, including text books and other instructional materials, and library and reading materials, to schools.
- D. Provision of training to education actors, including development of related training modules and training of trainers.
- E. Improving systems of examinations and evaluation of learning achievements.
- F. Carrying out sectoral studies in key related sub-sectors, including vocational training and higher education.

Part 3. Strengthening the Management of the Education System

- A. Development of a results-based management system through provision of technical support for: (i) institutional reforms; (ii) improvements in management of human resources; and (iii) budgetary reforms.

- B. Strengthening the monitoring and evaluation system, including strengthening the data collection and analysis, and building capacity for using results for policy development.

- C. Improving communication within the system and with all key stakeholders, through, *inter alia*, carrying out community surveys, media communications activities, and the publication of education newsletters or bulletins.

- D. Support for the implementation, coordination and management of the Project.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. The Recipient shall establish and maintain a Steering Committee, with composition and terms of reference acceptable to the Association, to be responsible for Project oversight and coordination.
2. The Recipient's Ministry in charge of Education shall be responsible for overall implementation of the Project.
3. The Recipient's Ministry in charge of Technical Education and Vocational Training shall be responsible for the technical implementation of activities within the sub-sector.

B. Environmental and Social safeguards

The Recipient shall carry out the Project in accordance with the provisions of the Environmental and Social Management Framework and the Resettlement Policy Framework, and shall not, except as the Association shall otherwise agree, amend or waive any provision of the aforementioned if such amendment or waiver may, in the opinion of the Association, adversely and materially affect Project implementation.

C. Project Manuals

The Recipient shall implement or cause the Project to be implemented in accordance with the Project Implementation Manual and except as the Recipient and the Association shall otherwise agree, the Recipient shall not amend or waive any provision of the Project Implementation Manual if in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objective thereof.

D. Eligibility Criteria and Terms and Conditions of Literacy Grants

- (a) In providing Grants under Part I.C of the Project, the Recipient shall follow the eligibility criteria, procedures and guidelines set forth in the Project Implementation Manual.
- (b) For purposes of financing the Grants, the Recipient shall enter into appropriate arrangements with Grant beneficiaries, under terms and conditions satisfactory to the Association, which shall, *inter alia*, include the following:
 - (i) the obligation of the Grant beneficiary to carry out the activities covered by the Grant with due diligence and efficiency and in accordance with sound technical, financial, environmental, managerial and participatory standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Grant;
 - (ii) the requirement that: (A) the goods and services to be financed from the proceeds of the Credit shall be procured in accordance with procedures ensuring efficiency and economy, and (B) such goods and services shall be used exclusively in the carrying out of the Grant; and
 - (iii) the right of the Recipient to inspect by itself, or jointly with the Association, if the Association shall so request, the goods and services included in the Grant, the operations thereof and any relevant records and documents.

E. Eligibility Criteria and Terms and Conditions of School Improvement Grants

- (a) In providing Grants under Part 2.B of the Project, the Recipient shall follow the eligibility criteria, procedures and guidelines set forth in the Project Implementation Manual.
- (b) For purposes of financing the Grants, the Recipient shall enter into appropriate arrangements with Grant beneficiaries, under terms and conditions satisfactory to the Association, which shall, *inter alia*, include the following:
 - (i) the obligation of the Grant beneficiary to carry out the activities covered by the Grant with due diligence and efficiency and in accordance with sound technical, financial, environmental, managerial and participatory

standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Grant;

- (ii) the requirement that: (A) the goods services to be financed from the proceeds of the Credit shall be procured in accordance with procedures ensuring efficiency and economy, and (B) such goods and services shall be used exclusively in the carrying out of the Grant; and
- (iii) the right of the Recipient to inspect by itself, or jointly with the Association, if the Association shall so request, the goods and services included in the Grant, the operations thereof and any relevant records and documents.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators set forth below in sub-paragraph (c) of this paragraph. Each Project Report shall cover the period of one calendar semester and shall be furnished to the Association not later than forty five days after the end of the period covered by such report.
- (b) Without limitation upon the above provisions, the Recipient shall submit, by September 1 of each year during the duration of the Project, starting in 2007, the performance evaluation framework (*cadres de performance*) for the following year for each central department in the Ministry in charge of education, for each *Inspection d'académie*, and *Inspection départementale de l'éducation nationale* and other.
- (c) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) Gross primary enrollment rate for girls and boys to reach 96 percent by 2009;
 - (ii) Girls as percentage of all students in elementary will reach 49 percent by 2009;

- (iii) Girls as percentage of all students in middle schools will reach 46 percent by 2009;
- (iv) Primary completion rate to reach 78 percent by 2009;
- (v) 2,800 middle school places will be created by 2009 (about 100 places per school in 28 schools) and all will be filled by the beginning of the school year after the completion of construction;
- (vi) 50,000 learners, 70 percent women, will be enrolled and 80 percent of them will complete 300 hours by October 2009;
- (vii) 100 percent of grants under Part 2.B of the Project will finance quality inputs at schools;
- (viii) At least 95 percent of textbooks purchased by the project will be in schools by October 2008, and will be used in classrooms as verified by classroom observations;
- (ix) 50 percent of teachers observed in 2008 and 75 percent of teachers observed in 2009 will use textbooks effectively;
- (x) At least 20 schools will measure reading accuracy and comprehension by June 2007; at least 1,000 schools by 2009;
- (xi) Performance management frameworks (*cadres de performance*) will be developed and implemented in at least the following departments: planning (*DPRE*), financial management (*DAGE*), human resources (*DRH*), elementary (*DEE*), middle and secondary (*DEMSG*), construction (*DCES*), evaluation (*INEADE*) and for at least two education structures at regional level (*IAs*) by October 2007; and in all central departments, *IAs* and education structure at district level (*IDENs*) by October 2008;
- (xii) Results of annual statistical campaigns will be available by April of each year.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than April 31, 2010.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty five days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Services (other than consultancy services).** All goods, works and services (other than consultancy services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of

particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Services (other than consultant services)

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Community participation
(d) UN agencies
(e) Single Source Selection

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Least Cost Selection
(b) Selection based on Consultants' Qualifications
(c) Selection of Individual Consultants
(d) Single Source Selection

D. Review by the Bank of Procurement Decisions

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.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Recipient, to (a) repay the Project Preparation Advance in accordance with Section 2.07 of the General Conditions; and (b) finance other Eligible Expenditures.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Categories	Amount of the Financing Allocated (Expressed in SDR)	Percentage of Expenditures to be financed
1. Improving access and retention (Part 1.A et 1.B)	6,470,000	100% excluding taxes
2. Improving education quality (Part 2.C, 2.D, 2.E, 2.F)	4,770,000	100% excluding taxes
3. Strengthening management of the education system (Part 3 except 3.D)	340,000	100% excluding taxes
4. Grants and support to deconcentrated levels (Part 1.C, 2.A and 2.B)	5,100,000	100% of amounts disbursed
5. Operating costs (Part 3.D)	680,000	100%
6. Reimbursement of the	780,000	Amount payable

Avance (PPF)		pursuant to Section 2.07 of the General Conditions
7. Unallocated	2,360,000	
Total	20,500,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement;
 - (b) For purposes of this Section, the term “operating costs” means incremental recurrent expenditures incurred on account of the Project implementation, office supplies, fuel and maintenance of vehicles, maintenance of equipment, telephone and other communications charges, office rent and insurance for vehicles, motorcycles and office equipment and furniture, bank and service fees, travel and supervision, and remuneration of contractual staff providing expertise in various departments.
2. The Closing Date is October 31, 2010.

Section V. Other Undertakings

The Recipient shall:

- (a) Finance, from its budget resources, the construction and equipment of at least 1,500 classrooms, in the elementary level, per year during the implementation of the project;
- (b) Allocate to the education sector at least 40% of its recurrent budget excluding debt service and “*dépenses communes*”, in each of its annual budgets during the implementation of the Project;
- (c) For each classroom constructed under the Project in middle schools, construct, under financing from its own budget one classroom at the same level, and ensure that adequate water and sanitation services are available for said schools;

- (d) Each year during the implementation of the Project, spend at least 1 billion FCFA, from its annual budget, for the acquisition of textbooks;
- (e) Each year during the implementation of the Project, allocate at least CFAF 700 million, in its annual recurrent budget for support to schools; and
- (f) No later than thirty days after the end of each quarter during the implementation of the Project, furnish to the Association all necessary information on the execution of its budget for the education sector (including budget data on central and “*déconcentré*” levels)

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 15 and July 15:	
commencing January 15, 2017 to and including July 15, 2026	1%
commencing January 15, 2027 to and including July 15, 2046	2%

*The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “ESMF” or “Environmental and Social Management Framework” means the Recipient’s document dated May 31, 2006 referred to in Section I.B of Schedule 2 to this Agreement, setting forth, *inter alia*, guidelines, procedures, timetable and other specifications designed to offset adverse environmental and social impacts related to Project activities, or to reduce them to acceptable levels, or to enhance positive impacts, including resettlement and or compensation of the affected persons.
4. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
5. “Literacy Grant” means the grant provided under Part 1.C of the Project.
6. “Literacy Subproject” means a specific activity or group of activities pertaining to literacy improvement, designed and implemented by a committee, non-governmental organization, women or producers’ group that organizes and carries out such activities, financed or proposed to be financed, through grants under Part 1.C of the Project.
7. “Literacy Subproject Beneficiary” means a recipient of the grants provided under Part 1.C of this Project, which may include a committee, non-governmental organization, women, or producers’ group.
8. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
9. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated July 6, 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

10. “Program” means the program designed to strengthen the Recipient’s educational sector and set forth or referred to in the Letter of Development Policy dated January 2005 from the Recipient to the Association.
11. “Project Implementation Manual” means the manual adopted by the Recipient in October 2001 under Phase I of the Program, and as revised from time to time, detailing the procedures concerning coordination, implementation, monitoring and evaluation, procurement, financial management, and administration of the Project.
12. “Project Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreements signed on behalf of the Association on March 3, 2006 and on August 28, 2006 and on behalf of the Recipient on March 20, 2006 and on September 15, 2006.
13. “RPF” means the Resettlement Policy Framework of the Recipient dated May 31, 2006 setting forth, *inter alia*, guidelines, procedures, timetable and other specifications of the resettlement/compensation to be made under the Project to Affected Persons and referred to in Section I.B of Schedule 2 to this Agreement.
14. “School Improvement Grant” means a grant provided under Part 2.B of the Project.
15. “School Improvement Subproject” means a specific activity or group of activities pertaining to improvement in teaching at schools, designed by a school teacher or group of teachers, financed or proposed to be financed, through grants under Part 2.B of this Project.
16. “School Improvement Subproject Beneficiary” means the recipient of the grants provided under Part 2.B of the Project, which may include a school management committee (*comité de gestion de l’école*).
17. “Steering Committee” means the committee referred to in Section I.A of Schedule 2 to this Agreement, for the purpose of overseeing and coordinating the implementation of the Project.