

CONFORMED COPY

CREDIT NUMBER 4222 MLI

Financing Agreement

(Education Sector Expenditure Program (Phase II))

between

REPUBLIC OF MALI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 1, 2006

**CONFORMED COPY
CREDIT NUMBER 4222 MLI**

FINANCING AGREEMENT

AGREEMENT dated September 1, 2006, between REPUBLIC OF MALI (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). 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 this 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-four million Special Drawing Rights (SDR 24,000,000 equivalent) (“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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 March 1 and September 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective 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 — EFFECTIVENESS; TERMINATION

4.01. The Additional Conditions of Effectiveness consist of the following:

- (a) An agreement, in form and substance satisfactory to the Association, has been signed between the Recipient's Ministry responsible for education and the National Investment Agency of Territorial Authorities for the purpose of implementation of Part 2 (a) of the Project by the latter, and said agreement includes the following provisions:
 - (i) Absent communication of an objection by the Recipient's Ministry responsible for education to the National Investment Agency of Territorial Authorities within two (2) weeks of submission to said Ministry of an application for withdrawal of proceeds of the Financing by said Agency, said Agency shall proceed to transmit the application for withdrawal of proceeds to the Association for processing.
 - (ii) In the event of such an objection, the Recipient's Ministry responsible for education and the National Investment Agency of Territorial Authorities shall collaborate in order to reach an agreement in form and substance satisfactory to the Association.
- (b) The Project Implementation Procedures Manual, in form and substance satisfactory to the Association, has been adopted by the Recipient.

- (c) An external auditor, with qualifications, experience and terms of reference satisfactory to the Association, has been recruited in accordance with the provisions of Section III of Schedule 2 to this Agreement, for purposes of Project implementation.

4.02. The Effectiveness Deadline is the date 90 days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is its Minister at the time responsible for finance.

5.02. The Recipient's Address is:

Ministry of the Economy and Finance
P. O. Box 234
Bamako
Mali

Telex:

Facsimile:

2559MJ

(223) 222 19 14

(223) 222 88 53

(223) 222 07 93

5.03. 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 Bamako, Mali, as of the day and year first above written.

REPUBLIC OF MALI

By:/s/ Aboubakar Traoré

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Alassane Diawara

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase the proportion of the Recipient's children completing quality first-cycle basic education and improve the overall efficiency of resource use in the education sector.

The Project consists of the following parts:

1. Improving Quality of First Cycle of Basic Education

(a) Establishment of reading areas, including necessary textbook stocking devices and books, in approximately 25 percent of classrooms in schools in the first cycle of basic education (approximately 4,600 classrooms), and equipping of libraries in five (5) Teacher Training Institutes (approximately 2,000 textbooks per Institute), through the acquisition of goods such as books, shelves and storage equipment.

(b) Implementation of the Direct Support to Improve School Productivity scheme for purpose of purchase of school supplies for schools having an operational School Management Committee.

(c) Support to training and in-service training:

(i) provision of 60-day in-service training for certification of approximately 3,000 community school teachers; and

(ii) provision of accelerated training and in-service training, each of 60 working days, to approximately 1,800 new teachers.

2. Increasing Access to Education

(a) Construction and equipping of classrooms in the first and second cycles of basic education (approximately 970 classrooms), including the provision of furniture and water adduction and the construction of lavatories.

(b) Construction and equipping of a general secondary school (for approximately 600 students).

- (c) Support to apprenticeship programs in key areas of youth employment.

3. Strengthening of Institutional Management Capacities in Education Sector, and Program Coordination

- (a) Strengthening of human resource management, including evaluation and training of managers and their adaptation to job profiles.

- (b) Improvement of allocation and efficiency of resources through strengthening of budgetary and financial management, establishment of regulatory framework for independent management of public entities of technical and professional education, promotion of private education, establishment of instrument integrating school map facilitating more efficient resource allocation and inequality reduction and carrying out of annual audits of school construction and textbook management.

- (c) Establishment of an integrated education management information system.

- (d) Program coordination and management and the carrying out of Learning Assessments.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. The Recipient's Ministry at the time responsible for education shall coordinate Project implementation through its technical directorates.
2. The Recipient shall maintain, in its Ministry at the time responsible for education and throughout Project implementation, the following entities, in form and substance and with resources and functions satisfactory to the Association and as further detailed in the Project Implementation Procedures Manual:
 - (a) The Cabinet Council, headed by the Minister at the time responsible for education, which shall provide overall guidance in Project implementation and ensure that Project activities are consistent with the Recipient's policy objectives in the education sector.
 - (b) The Steering Committee, headed by the Secretary General of the Ministry at the time responsible for education, and comprising the technical units involved in Program implementation, which shall be responsible for evaluation of technical projects under the Program and for preparation of said projects for submission to the Cabinet Council for approval.
 - (c) The Planning and Statistics Unit shall be responsible, *inter alia*, for:
 - (i) provision of assistance to the technical departments of the Recipient's Ministry at the time responsible for education, Teaching Academies and Pedagogical Activity Centers in: (A) development and implementation of their annual work programs; (B) preparation and submission of Program implementation progress reports to development partners; (C) updating of outcome and results indicators of Program implementation; and (D) the carrying out of audits referred to in Section V.2 of this Schedule and implementation of the recommendations of said audits; (ii) coordination of technical and financial partner actions in the education sector; and (iii) provision of administrative services to the Cabinet Council and Steering Committee.

- (d) The Academies of Education, whose Directors shall coordinate Project implementation and monitoring at the regional level.

3. Other entities involved in Project implementation:

- (a) The School Management Committees shall be responsible for the implementation of activities the resources transferred to the schools under the Direct Support to Improve School Productivity scheme, Part 1 (b) of the Project.

- (b) The National Investment Agency of Territorial Authorities shall be responsible for the channeling of resources to local governments for implementation of Part 2 (a) of the Project under the agreement concluded with the Recipient pursuant to Section 4.01 (a) of this Agreement.

- (c) The Fund to Support Vocational Training and Apprenticeship of the Ministry at the time responsible for vocational training and apprenticeship shall be responsible for implementation of Part 2 (c) of the Program.

B. Manual

Except as the Association shall otherwise agree, the Recipient shall: (i) carry out the Project, or cause the Project to be carried out, in accordance with the Project Implementation Procedures Manual; and (ii) except as the Association shall otherwise agree, not amend, abrogate, or waive, or permit to be amended, abrogated, or waived, the aforementioned, or any provision thereof, if such amendment, abrogation, or waiver may, in the opinion of the Association, materially or adversely affect Project implementation or achievement of the objective thereof.

C. Environmental and Social Safeguards

Except as the Association shall otherwise agree, the Recipient shall: (i) carry out the Project, or cause the Project to be carried out, in accordance with the Environmental and Social Management Framework Plan; and (ii) except as the Association shall otherwise agree, not amend, abrogate, or waive, or permit to be amended, abrogated, or waived, the aforementioned, or any provision thereof, if such amendment, abrogation, or waiver may, in the opinion of the Association,

materially or adversely affect Project implementation or achievement of the objectives thereof.

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 the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a), to be assessed in respect of the Project at the end of the 2008-09 school year, consist of the following:
 - (i) Project Objective
 - (A) The completion rate in the first cycle of basic education has increased from 43.2 percent as of December 31, 2005 to 56.4 percent.
 - (B) 60 percent of all students in the third and fifth years of the first cycle of basic education, calculated as a proportion of such students classified by gender, Academy of Education, urban area and rural area, have acquired basic competency in reading and mathematics.
 - (ii) Part 1 of the Project:
 - (A) The proportion of repeaters in the first cycle of primary education has decreased from 18.6% as of December 31, 2005 to 13.7 percent, and that in the second cycle of primary education has decreased from 23.9 percent as of December 31, 2005 to 18.8 percent.

- (B) 4,600 classrooms in the first cycle of basic education have a reading area, in form and substance satisfactory to the Association.
 - (C) Libraries in five (5) Teacher Training Institute have been equipped with at least 2,000 textbooks each.
 - (D) 3,000 community school teachers have participated in a 60-day in-service training program under Part 1 (c) of the Project.
 - (E) 1,800 new teachers have participated in a 60-day accelerated training program under Part 1 (c) of the Project.
- (ii) Part 2 of the Project:
- (A) The gross intake rate in the first cycle of basic education has increased from 66.6 percent as of December 31, 2005 to 80 percent.
 - (B) Girls as a proportion of total enrolment in the first cycle of basic education have increased from 43.8 percent as of December 31, 2005 to 46.2 percent.
 - (C) Girls as a proportion of total enrolment in the second cycle of basic education have increased from 40 percent as of December 31, 2005 to 44 percent.
 - (D) The number of youth in apprenticeship programs managed by the Vocational Training and Apprenticeship Support Fund has increased from 9,200 as of December 31, 2005 to 11,000.
- (iii) Part 3 of the Project:
- (A) Non-teaching staff as a proportion of total staff in the education sector has decreased from 24 percent as of December 31, 2005 to 20 percent.

- (C) The Project Reports referred to in Section II.A.1 (a) of this Schedule, the interim un-audited financial reports referred to in Section II.B.2 of this Schedule, the audited Financial Statements referred to in Section II.B.3 of this Schedule and the results of the audits referred to in Section V.2 of this Schedule, all in form and substance satisfactory to the Association, have been submitted by the Recipient to the Association in a timely manner.
- (D) Financial management and procurement under the Project have been conducted in form and substance satisfactory to the Association.

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 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. 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, Non-Consultant Services and Works.** All goods, non-consultant services and works 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. **Non-Consulting Services.** All non-consultant services required for the Project and to be financed out of the proceeds of the Financing shall be procured using bidding documents in form and substance satisfactory to the Association, and under contracts awarded on the basis of National Competitive Bidding. Each contract for Non-Consulting Services estimated to cost the equivalent of \$50,000 or less may be awarded on the basis of Shopping.
3. **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.
4. **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, Non-Consultant Services and Works

1. **Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, non-consultant services and works shall be procured under contracts awarded on the basis of International or National Competitive Bidding.
2. **Other Methods of Procurement of Goods, Non-Consultant Services and Works.** The following table specifies the methods of procurement, other than Competitive Bidding, which may be used for goods, non-consultant services and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<u>Procurement Method</u>
(a) Shopping
(b) Direct Contracting
(c) Procurement Agent

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.

<u>Procurement Method</u>
(a) Selection Based on Consultants' Qualifications
(b) Least Cost Selection
(c) Selection Based on a Fixed Budget
(d) Single Source Selection
(e) Individual Consultants
(f) Use of Non Governmental Organizations
(g) Procurement Agent

D. Review by the Bank of Procurement Decisions

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) each contract for goods or non-consultant services estimated to cost the equivalent of \$200,000 or more; (b) the first three (3) contracts for goods, non-consultant services, or works procured on the basis of National Competitive Bidding; (c) each contract for goods, non-consultant services, or works procured on the basis of Direct Contracting; (d) each contract for works estimated to cost the equivalent of \$500,000 or more; (e) the first three (3) contracts for works procured on the basis of Shopping; (f) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (g) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more; and (h) each contract for consultants' services (provided by a firm or an individual) procured on the basis of Single Source Selection. 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 finance Eligible Expenditures as set forth in the table in paragraph 2 below.

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 Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Improving Quality of First Cycle of Basic Education (Part 1 of Project)	6,850,000	100%
(2) Increasing Access to Education (Part 2 of Project)		
(a) Ministry at the time responsible for education	2,330,000	100%
(b) National Investment Agency of Territorial Authorities	12,660,000	100%
(3) Strengthening of Institutional Management Capacities in Education Sector, and Program Coordination (Part 3 of Project)	1,300,000	100%
(4) Unallocated	860,000	-
TOTAL AMOUNT	24,000,000	

B. Withdrawal Period

The Closing Date is December 31, 2009.

Section V. Other Undertakings

1. The Ministry of the Recipient at the time responsible for education shall, no later than October 31 of each year of Project implementation, submit to the Association and to other development partners an annual action plan, in form and substance satisfactory to the Association, for the subsequent calendar year, setting out the activities to be carried out during the year and the cost of such activities.
2. The Ministry of the Recipient at the time responsible for education shall, no later than October 31 of each year of Project implementation, submit to the Association for approval an annual action plan, in form and substance satisfactory to the Association, in respect of training of personnel of said Ministry and teachers in the subsequent calendar year.
3. The Recipient shall transmit to the Association, no later than May 31 of each year of Project implementation, the results, in form and substance satisfactory to the Association, of the annual audits of school construction and textbook management carried out in the territory of the Recipient during the preceding 12 months.
4. The Recipient shall transmit to the Association, no later than August 31, 2007 and 2009, the results, in form and substance satisfactory to the Association, of the Learning Assessments carried out in the territory of the Recipient during the preceding two (2) years.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 1 and September 1:	
Commencing September 1, 2016 to and including March 1, 2026	1%
Commencing September 1, 2026 to and including March 1, 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. “Academy of Education” means the Recipient’s entity established and operating pursuant to the Recipient’s Decree No. 00-527/P-RM of October 26, 2000 and which is responsible for education at the regional level.
2. “Administrative and Financial Directorate” (*Direction Administrative et Financière*, DAF) means the functional unit responsible for administration and finance of the Recipient’s Ministry at the time responsible for education.
3. “Cabinet Council” means the cabinet of the Minister at the time responsible for education which is referred to in Section I.A.2 (a) of Schedule 2 to this Agreement and whose responsibilities are set out in said Section.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
6. “Direct Support to Improve School Productivity” (*Appui direct à l’amélioration des rendements scolaires*, ADARS) means the Recipient’s scheme for provision of grants for the purchase of school supplies to schools in the first cycle of basic education which have an operational School Management Committee (as hereinafter defined).
7. “Environmental and Social Management Framework Plan” means the framework plan of May 2006 adopted by the Recipient and setting out: (i) mitigation, enhancement, monitoring and institutional measures identified by the Recipient to eliminate any adverse environmental and social impacts of Project activities, offset them, or reduce them to acceptable levels, or enhance positive impacts; and (ii) procedures, including related compensation measures, to be applied in the event of the physical displacement of persons affected by Project activities, as shall have been agreed with the Association for purposes of Project implementation, as the same may be amended from time to time with the concurrence of the Association, and such term includes any schedules to the Environmental and Social Management Framework Plan.

8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
9. “Learning Assessment” means the reading and mathematics evaluation administered every two (2) years by the National Education Center (as hereinafter defined) to a representative sample of students in Grades 3 and 5 in order to assess students’ learning achievements.
10. “National Education Center” means the Recipient’s entity established and operating pursuant to the Recipient’s Law No. 00-90 of December 26, 2000 and which is responsible, *inter alia*, for carrying out Learning Assessments and textbook management.
11. “National Investment Agency of Territorial Authorities” (*Agence Nationale d’Investissement des Collectivités Territoriales*, ANICT) means the Recipient’s entity established and operating and pursuant to the Recipient’s Law No. 00-42 of July 7, 2000, which is responsible for financing Territorial Authorities (as hereinafter defined) and whose responsibilities under the Project are set out in Section I.A.3 (b) of Schedule 2 to this Agreement.
12. “Planning and Statistics Unit” (*Cellule de la Planification et des Statistiques*, CPS) means the functional unit responsible for statistics and planning at the Recipient’s Ministry at the time responsible for education.
13. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 26, 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.
15. “Program” means the program designed to develop the Recipient’s education sector, as set forth or referred to in the Recipient’s Law No. 99-046 of December 28, 1999.
16. “Project Implementation Procedures Manual” means the manual adopted by the Recipient and the Project Implementing Entity pursuant to Section 5.01 (b) of this Agreement, and setting out implementation, organizational, administrative, monitoring and evaluation, environmental and social monitoring and mitigation,

financial management, disbursement and procurement arrangements, as shall have been agreed with the Association for purposes of Project implementation, as the same may be amended from time to time with the concurrence of the Association, and such term includes any schedules to the Project Implementation Procedures Manual.

17. “School Management Committee” (*Comités de Gestion Scolaire*, CGS) means the association of parents, teachers, students and the community, which is responsible for the execution of resources provided under the Direct Support to Improve School Productivity scheme.
18. “Steering Committee” means the Recipient’s entity referred to in Section I.A.2 (b) of Schedule 2 to this Agreement and whose responsibilities under the Project are set out in said provision.
19. “Teacher Training Institute” (*Institut de Formation des Maîtres*, IFM) means the Recipient’s entity responsible for the training of teachers in basic education.
20. “Territorial Authority” means the local authority established and operating pursuant to the Recipient’s Law No. 93-008 of February 11, 1993 as modified by the Recipient’s Law No. 96-056 of October 16, 1996, and the Recipient’s Law No. 95-034 of April 12, 1995 as modified by the Recipient’s Law Nos. 98-010 of June 15, 1998 and 98-066 of December 30, 1998.
21. “Training” means the training of persons involved in Project-supported activities, such term including study tours, and costs incurred for such purpose include travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials and other costs directly related to course preparation and implementation.
22. “Vocational Training and Apprenticeship Support Fund” (*Fonds d’Appui à la Formation Professionnelle et à l’Apprentissage*, FAFPA) means the Recipient’s entity under the Ministry at the time responsible for vocational training established and operating pursuant to the Recipient’s Law No. 97-023/AN-RM of April 14, 1997, and which is responsible for provision of support to vocational training through youth apprenticeships.