

Public Disclosure Authorized

CONFORMED COPY

---

---

LOAN NUMBER 7273-MOR

# Loan Agreement

(Basic Education Reform Support Project)

between

KINGDOM OF MOROCCO

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated February 23, 2005

---

---

**LOAN NUMBER 7273-MOR**

**LOAN AGREEMENT**

AGREEMENT, dated February 23, 2005, between the KINGDOM OF MOROCCO (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received from the Borrower a letter dated December 30, 2004, describing a program of its national policies and strategies (hereinafter collectively referred to as the Program) for the development of its education sector over a five (5) year period, and declaring the Borrower's commitment to the implementation of the Program;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), which Project forms the first phase of the Program, has requested the Bank to assist in the financing of the Project; and

(C) the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank dated September 1, 1999 (as amended through May 1, 2004) (the General Conditions).

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

(a) "Annual Allocation" means the portion of the Loan determined jointly between the Borrower and the Bank within the limit of the amount of the Annual Work Plan;

(b) "Annual Report" means the annual report to be prepared by DSSP in accordance with Section 3.05 of this Agreement, describing, *inter alia*, the progress achieved in meeting the Monitoring Indicators (as this term is hereinafter defined) in the Fiscal Year preceding said report;

(c) “AREF” means a Borrower’s regional academy for training and education (Académie régionale d’éducation et de formation), an autonomous public entity (établissement public à caractère administratif) governed by Law No. 07-00 and Dahir No. 1-00-203 of May 19, 2000, Decree No. 2-0566 of January 24, 2003, and “AREFs” means, collectively, two or more AREFs;

(d) “Annual Work Plan” means an annual work plan for the implementation of the Program for a given Fiscal Year (as this term is hereinafter defined), to be submitted to the Bank in accordance with Section 3.04 of this Agreement;

(e) “DEN” means the department of national education (Département de l’éducation nationale) within MENESFCRS (as this term is hereinafter defined), or any successor thereto;

(f) “DSSP” means the directorate of statistics, strategy and planning (Direction de la statistique et de la programmation) within DEN, or any successor thereto;

(g) “Eligible Category” means Category (1) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(h) “Eligible Expenditures” means the expenditures for goods, works, consultants’ services, training, incremental operating costs and Sub-grants referred to in Section 2.02 of this Agreement;

(i) “ESSF” means the Environment and Social Safeguards Framework, satisfactory to the Bank, prepared by the Borrower and submitted to the Bank on December 7, 2004, setting forth, *inter alia*, (a) the mitigating and monitoring measures to be applied during Project implementation, (b) the capacity building mechanisms for strengthening DEN and AREFs capacity, (c) the mitigating and monitoring measures relating to land acquisition for school construction, and (d) the applicable school construction norms and technical standards, as the same may be amended from time to time with the Bank’s prior agreement;

(j) “Financial Monitoring Report” or “FMR” means each semi-annual report prepared in accordance with Section 4.02 of this Agreement;

(k) “Fiscal Year” and “FY” mean the fiscal year of the Borrower, starting January 1 and ending December 31 of each calendar year;

(l) “MENESFCRS” means the Borrower’s Ministry of national education, higher education, civil servant training and scientific research (Ministère de l’éducation nationale, de l’enseignement supérieur, de la formation des cadres et de la recherche scientifique), or any successor thereto;

(m) “Monitoring Indicators” means the monitoring indicators agreed upon between the Borrower and the Bank to measure the progress achieved in the implementation of the Project, said indicators to be monitored in accordance with Section 3.05 of this Agreement, as the same may be reviewed from time to time by agreement between the Borrower and the Bank;

(n) “Partner” means a non-governmental entity to which a Sub-grant is made or proposed to be made pursuant to a Partnership Agreement (as this term is hereinafter defined) in accordance with Part B of Schedule 5 to this Agreement;

(o) “Partnership Agreement” means a partnership agreement (convention de partenariat) entered into between a Partner and an AREF or DEN for the financing of a Sub-project, in accordance with Part B of Schedule 5 to this Agreement;

(p) “Procurement Plan” means the Borrower’s procurement plan, dated December 17, 2004, covering the initial 12 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 the succeeding 12 month period (or longer) of Project implementation;

(q) “Program Operations Manual” means the program operations manual, satisfactory to the Bank, dated December 15, 2004, prepared by the Borrower for the carrying out of the Project, including, *inter alia*: (i) the procedures governing administrative, procurement, accounting, financial management, monitoring and evaluation arrangements; (ii) the sample formats and frequency for the preparation of Annual Work Plans and Annual Reports; (iii) the Procurement Plan; (iv) the eligibility criteria, selection procedures and terms and conditions for the provision of Sub-grants to Partners; as the same may be amended from time to time with the Bank’s prior agreement;

(r) “Project Area” means the areas of the Project in the Borrower’s regions of Casablanca, Chaouia-Ourdigha, Doukala-Abda, Fès-Boulmane, Gharb-Chrarda-Bani Hsen, Marrakesh-Tansift-Alhaouz, Meknes-Tafilalt, L’Orientale, Rabat-Salé-Zemmour-Zairs, Souss-Massa-Draa, Tadla-Azilal, Tanger-Tetouan and Taza-El Houseima-Taounate and the Borrower’s province of Guelmin;

(s) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Loan Account referred to in Part A.4 of Schedule 1 to this Agreement;

(t) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement;

(u) “Sub-grant” means a sub-grant provided by an AREF or Den under the Project pursuant to a Partnership Agreement for the financing of a Sub-project, in accordance with Part B of Schedule 5 to this Agreement; and

(v) "Sub-project" means a specific project to be carried out under Parts A.1, A.4 or B.3 of the Project utilizing the proceeds of a Sub-grant.

## **ARTICLE II**

### **The Loan**

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to sixty million four hundred thousand Euros (EUR 60,400,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for: (a) expenditures made (or, if the Bank shall so agree, to be made) in respect of interest and other charges in respect of the Loan, the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04(c) of the General Conditions; and (b) amounts paid (or if the Bank shall so agree, to be paid) on account of withdrawals made by the Borrower to meet the reasonable cost of goods, works, consultants' services, training, incremental operating costs and Sub-grants required under an Annual Work Plan.

Section 2.03. The Closing Date shall be June 30, 2008, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time at a rate equal to: (i) eighty five one-hundredths of one percent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one percent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on January 15 and July 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04(c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

### ARTICLE III

#### Execution of the Project

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

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with: (i) the Implementation Program set forth in Schedule 5 to this Agreement; (ii) the ESSF; and (iii) the Program Operations Manual.

(c) The Borrower shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Monitoring Indicators, the carrying out of the Project and the achievement of the objectives thereof.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

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

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the continued achievement of the objectives of the Project; and

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

Section 3.04. The Borrower, through DSSP, shall, not later than March 31 of each Fiscal Year during the implementation of the Project, submit to the Bank an Annual Work Plan, satisfactory to the Bank, in accordance with the format included in the Program Operations manual, setting forth, *inter alia*, work programs, budgets, the Annual Allocation, the Procurement Plan and, where appropriate, revised Monitoring Indicators, for the same Fiscal Year.

Section 3.05. The Borrower, through DSSP, shall, not later than March 31 of each Fiscal Year during the implementation of the Project, provide to the Bank, for its review and assessment, an Annual Report, satisfactory to the Bank, in accordance with the format included in the Program Operations manual: (a) describing progress achieved in the implementation of the Annual Work Plan approved for said Fiscal Year and evidencing compliance by the Borrower with the Monitoring Indicators; and (b) detailing the budgetary allocations for the following Fiscal Year as shall be necessary to ensure adequate financing and proper implementation of said year's Annual Work Plan.

## **ARTICLE IV**

### **Financial Covenants**

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

(b) The Borrower shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each Fiscal Year (or other period agreed to by the Bank) audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank) as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of reports referred to in Part A.4 of Schedule 1 to this Agreement (Report-based Disbursements), the Borrower shall:

- (i) retain, until at least one year after the Bank has received the audit report for, or covering, the Fiscal Year in which the last withdrawal from the Loan Account was made, all records



(contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures; and

- (ii) enable the Bank's representatives to examine such records.

Section 4.02. (a) Without limitation upon the Borrower's reporting obligations set out in Sections 3.04 and 3.05 of this Agreement and the preceding Section 4.01, the Borrower shall prepare and furnish to the Bank a Financial Monitoring Report, in form and substance satisfactory to the Bank, 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 Loan, 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 Bank not later than forty five (45) days after the end of the first calendar semester 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 semester; thereafter, each FMR shall be furnished to the Bank not later than forty five (45) days after each subsequent calendar semester, and shall cover such calendar semester.

## **ARTICLE V**

### **Remedies of the Bank**

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

(a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;

(b) the Program shall have been amended, waived or abrogated in a manner that could materially or adversely affect the Project's implementation or the achievement of its objectives; and

(c) the Program Operations Manual shall have been amended, waived or abrogated so as to adversely affect the efficiency, economy and transparency of various operational, implementation, environmental and social safeguards and procurement procedures under the Project.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional events are specified, namely that any of the events specified in paragraphs (b), and (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of thirty (30) days after notice thereof shall have been given by the Bank to the Borrower.

## **ARTICLE VI**

### **Termination**

Section 6.01. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## **ARTICLE VII**

### **Representative of the Borrower; Addresses**

Section 7.01. The Minister of Finance and Privatization of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance and Privatization  
Avenue Mohamed V  
Rabat  
Kingdom of Morocco

Cable address:

MINFIN

Facsimile:

212-37-67-75-30/31

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 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 respective names in Rabat, Morocco, as of the day and year first above written.

KINGDOM OF MOROCCO

By /s/ Fathallah Oualalou  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Christiaan J. Poortman  
Regional Vice President  
Middle East and North Africa

## SCHEDULE 1

### Withdrawal of the Proceeds of the Loan

A: General

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

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in Euros)</u>	<u>% of Expenditures To be Financed</u>
(1) Goods, works, consultants' services, training, Sub-grants and Incremental Operating Costs under approved Annual Work Plan	60,098,000	100 % of the Annual Allocation under the Annual Work Plan ending December 31, 2005; 100% of the Annual Allocation under the Annual Work Plan ending December 31, 2006; and 100% of the Annual Allocation under the Annual Work Plan ending December 31, 2007
(2) Front-end Fee	302,000	Amount due under Section 2.04 of this Agreement
(3) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09(c) of this Agreement
TOTAL	<u>60,400,000</u>	

2. For the purposes of the table set forth in the preceding paragraph 1, the term "Incremental Operating Costs" means costs incurred for the operation and maintenance of schools, for training and pedagogical support, with the exception of salaries and utilities (water, electricity and communication).

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding three million eight hundred thousand Euro (EUR 3,800,000) may be made in respect of Category (1) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after January 1, 2005; (b) payments made for expenditures under an Annual Work Plan for school renovation activities unless the Borrower shall have furnished evidence, satisfactory to the Bank, confirming that no land acquisition is required for purposes of said renovation activities; and (c) payments made for any expenditures under an Annual Work Plan, unless the Bank has determined that evidence of the Borrower's compliance with the Monitoring Indicators relating to such Plan is satisfactory to the Bank in accordance with the provisions of Section 3.05 of this Agreement.

4. The Borrower may request withdrawals from the Loan Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the FMR, the Annual Report and the Annual Work Plan (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the Loan Account, the Borrower shall submit to the Bank only a statement with the projected sources and applications of funds for the Project for the twelve (12) month period following the date of such request.

B. Special Account

1. The Borrower shall open and maintain in Dirhams a special deposit account in its general treasury (Trésorerie Générale du Royaume) on terms and conditions satisfactory to the Bank.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Account shall be made in accordance with the provisions of Annex A to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank, at any time, is not satisfied that the reports referred to in Part A.4 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Loan Account; or

(c) if the Borrower shall have failed to furnish to the Bank, 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 Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

(d) Refunds to the Bank made pursuant to sub-paragraphs (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.

**Annex A  
to  
SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are Report-based Disbursements**

1. Withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.
  
2. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.4 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the twelve -month (12) period following the date of such reports.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to assist the Borrower in the implementation of its Program for the development of the education sector in the Project Area.

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

#### Part A: Generalizing Basic Education

1. Increasing access to pre-primary education for children, by developing, upgrading and managing pre-schools, through Partnership Agreements;
2. Carrying out a program of works and provision of equipment for the construction and renovation of classrooms and schools at the primary level in priority rural and peri-urban areas;
3. Carrying out a program of works and provision of equipment for the construction and renovation of classrooms, schools and boarding facilities at the lower-secondary level in priority rural areas; and
4. Developing, through Partnership Agreements, social services such as school lunches, boarding facilities and transportation, for students attending primary and lower-secondary schools.

#### Part B: Improving the quality of Education

Developing and institutionalizing education systems aiming at improving the quality of education, including:

1. the improvement of evaluation systems and procedures in the education sector through: (a) the establishment of a sample-based student assessment system; and (b) the standardization of examination systems;
2. the strengthening of training for teachers through: (a) the design and implementation of a continuing education strategy; and (b) the reinforcement of teacher inspection and support services;
3. the improvement of school quality through: (a) the development of quality standards for schools; (b) the development of school-based projects on the basis of said standards through Partnership Agreements; and (c) the provision of educational equipment to priority schools; and



4. the promotion of research activities for the development of quality enhancement innovations.

Part C: Institutional Capacity Building

1. Improving DEN and AREFs' capacity in the areas of: (a) human resource management, including the deployment of personnel based on new job descriptions; (b) the introduction of program-budgeting; and (c) procurement, financial management and environment and social protection;
2. Designing and implementing a communication strategy on the reform of the education sector to promote partnerships with all stakeholders; and
3. Strengthening DEN and AREFs' strategic management capacity through the development of: (a) information systems; (b) procedures and mechanisms for communication; and (c) financial projection, monitoring and evaluation methods.

\* \* \*

The Project is expected to be completed by December 31, 2007.

### SCHEDULE 3

#### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
July 15, 2010	1.93
January 15, 2011	2.00
July 15, 2011	2.07
January 15, 2012	2.14
July 15, 2012	2.21
January 15, 2013	2.29
July 15, 2013	2.37
January 15, 2014	2.46
July 15, 2014	2.54
January 15, 2015	2.63
July 15, 2015	2.72
January 15, 2016	2.82
July 15, 2016	2.92
January 15, 2017	3.02
July 15, 2017	3.12
January 15, 2018	3.23
July 15, 2018	3.35
January 15, 2019	3.46
July 15, 2019	3.58
January 15, 2020	3.71
July 15, 2020	3.84
January 15, 2021	3.97
July 15, 2021	4.11
January 15, 2022	4.26
July 15, 2022	4.41
January 15, 2023	4.56
July 15, 2023	4.72
January 15, 2024	4.89
July 15, 2024	5.06
January 15, 2025	5.61

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

## **SCHEDULE 4**

### **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: 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 Borrowers" 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 Bank 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 for works and goods 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 Borrower and works to be carried out by domestic contractors.

#### B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$3,000,000 equivalent per contract and works estimated to cost less than \$5,000,000 equivalent per contract, as these thresholds may be reviewed by agreement between the Borrower and the Bank, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions:

- (i) The bid document clearly explains the bid evaluation, award criteria and bidder qualification criteria;
- (ii) Technical and financial bids are publicly and simultaneously opened;

- (iii) Bids shall be evaluated on price and any other criteria disclosed in the bid documents and quantified in monetary terms and contracts are awarded to the qualified bidder with the lowest evaluated responsive bid; and
  - (iv) Prior to issuing the first call for bids, a draft standard bidding document to be used under National Competitive Bidding procurement must be submitted to, and found acceptable, by the Bank.
2. Shopping. Goods estimated to cost less than \$30,000 equivalent per contract and works estimated to cost less than \$30,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.
3. Direct Contracting. Goods and works which the Bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.
4. Community Participation. Goods, works and services required under Partnership Agreements for Parts A.1, A.4 and B.3 of the Project, estimated to cost less than \$10,000, may be procured on the basis of community participation in accordance with procedures acceptable to the Bank, set forth in the Program Operations Manual.

### 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 \$200,000 equivalent per contract may comprise entirely national consultants.

#### B. Other Procedures

1. Quality-based Selection. Services for assignments which the Bank 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. Selection Under a Fixed Budget. Services for assignments which the Bank agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Least-cost Selection. Services for assignments which the Bank 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.

4. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 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.

5. 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 Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

6. 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 Bank of Procurement Decisions

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

## **SCHEDULE 5**

### **Implementation Program**

#### **A. General**

1. The Borrower shall carry out the Project in accordance with the Program Operations Manual and the ESSF and, except as the Bank shall otherwise agree, the Borrower shall not amend or waive any provision of said Manual or Framework if, in the opinion of the Bank, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. The Borrower shall, throughout the duration of the Project, maintain or cause to maintain MENESFCRS and AREFs with qualified staff in adequate number to ensure Project implementation, in particular in the areas of accounting, financial management, procurement, environmental and social safeguards and management information systems.

3. Overall responsibility for Project oversight shall be vested with DEN. DEN, through its relevant directions, shall be responsible for implementing Project capacity and institutional building activities. At the regional level, AREFs shall be responsible for implementing Project activities relating to construction and equipment. DEN and AREFs will respectively enter into Partnership Agreements.

4. The responsibility for coordination, monitoring and evaluation of Project activities shall be vested with DSSP. To this end, DSSP shall coordinate with DEN directorates and AREFS for purposes of consolidating information on Project implementation and preparing Annual Reports in accordance with Section 3.05 of this Agreement.

5. Throughout the duration of the Project, the Borrower shall ensure that no land acquisition is required for purposes of school renovation activities. The Borrower shall ensure that: (a) all construction activities under the Project shall take place on land owned by the Borrower and no resettlement of local population shall take place; and (b) said activities shall be consistent with the Bank's environmental policies and the ESSF.

#### **B. Procedures and Eligibility Criteria for the Selection of Sub-Projects**

1. The Borrower shall require a Partner applying for a Sub-grant to submit to the relevant AREF its proposal for a Sub-project in accordance with the procedures set forth in the Program Operations Manual.

2. The Borrower shall cause each AREF to: (a) ensure that proposals for Sub-projects meet the requisite terms and conditions set out in the Program Operations Manual; (b) ensure that Partners have the capacity to carry out, manage and maintain Sub-projects in conformity with appropriate administrative, financial, technical,

managerial and educational standards; (c) approve each Sub-grant and, to that end, enter into a Partnership Agreement under which proceeds of the Loan will be made available to the Partner for the purposes of the Sub-project; and (d) monitor and evaluate the Sub-project in accordance with the guidelines set out in the Program Operations Manual.

3. The Partnership Agreement shall provide for rights adequate to protect the interests of the Bank and the Borrower, including, to the extent that it shall be appropriate, the right to:

(a) require the Partner to: (i) carry out the Sub-project with due diligence and efficiency and in accordance with sound administrative, financial, technical, managerial and educational standards; and (ii) maintain adequate records for the Sub-project;

(b) require that all goods, works and services required for the Sub-project shall be procured in accordance with the provisions of Section II, paragraph B.4 of Schedule 4 to this Agreement;

(c) require that such goods, works and services shall be used exclusively in the carrying out of the Sub-project;

(d) require the Partner to allow the Borrower to inspect by itself or jointly with representatives of the Bank, if the Bank shall so request: (i) the operations of the Sub-project; and (ii) any relevant records and documents; and

(e) suspend or terminate the right of the Partner to use the proceeds of the Sub-grant upon failure by the Partner to perform any of its obligations under the Partnership Agreement.