

CONFORMED COPY

CREDIT NUMBER 4070-CM

Development Credit Agreement

(Education Development Capacity Building Project)

between

REPUBLIC OF CAMEROON

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 1, 2005

CREDIT NUMBER 4070-CM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 1, 2005, between REPUBLIC OF CAMEROON (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

B) WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement :

(a) Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the

Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association.”

(b) Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

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

(a) “CFA Francs” or “CFAF” means *Franc de la Coopération Financière en Afrique Centrale*, the currency of the Borrower;

(b) “Departmental Committee” or “DC” means each of the Borrower’s Departmental Committee (*Comité Départemental*) to be established by the Borrower in accordance with Section 3.05 of this Agreement composed, *inter alia*, of MINEDUB regional delegate and the primary education inspector, in charge of approving Subprojects (as hereinafter defined);

(c) “Eligible Categories” means Categories (1) to (6) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(d) “Eligible Expenditures” means the expenditures for goods, works and consultants’ services referred to in Section 2.02 of this Agreement;

(e) “Environmental Mitigation Plan” or “EMP” means the plan, in form and substance satisfactory to the Association adopted by the Borrower on November 19, 2004, describing measures for the mitigation, reduction and or offset of the environmental and social impacts of activities under Part C and D of the Project, including environmental guidelines for contractors where works are required and environmental guidelines for the carrying out of Sub-projects;

(f) “EPZ” means education priority zones (*Zones d’Education Prioritaire*) established in the following provinces of the Borrower: Adamaoua, North, Far North and East;

(g) “FARP” means the Borrower’s Research Development Fund (*Fonds d’Appui à la Recherche et la Professionnalisation*) to be established by the Borrower under Part D of the Project;

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

(i) “GDLN center” means the center connected to the Global Development Learning Network to be established by the Borrower under Part D of the Project;

(j) “GIS” means the Borrower’s general services inspection (*Inspection Générale des Services*) of MINEDUB (as hereinafter defined) and MINESEC (as hereinafter defined);

(k) “Governance Committee” means the Borrower’s governance committee (*Observatoire de la Gouvernance*) established pursuant to *Arrêté* No. 6466/B1/1464/MINEDUC/CAB dated October 17, 2003 “*portant création du comité de suivi de la mise en oeuvre du programme national de gouvernance au sein du MINEDUC*”;

(l) “ICRD” means the Borrower’s Inter-university Center for Resources and Documentation (*Centre Inter-Universitaire de Ressources Documentaires*) to be established by the Borrower under Part D of the Project;

(m) “IITC” means the Borrower’s Inter-University Information Technology Center (*Centre Inter-Universitaire des Technologies de l’Information*) to be established by the Borrower under Part D of the Project;

(n) “MINEDUB” means the Borrower’s Ministry of Basic Education (*Ministère de l’Education de Base*);

(o) “MINESEC” means the Borrower’s Ministry of Secondary Education (*Ministère des Enseignements Secondaires*);

(p) “MINESUP” means the Borrower’s Ministry of Higher Education (*Ministère de l’Enseignement Supérieur*);

(q) “NGO” means a non-governmental organization, established and operating in the territory of the Borrower;

(r) “Operational Monitoring Unit” means each of the operational monitoring unit established in each of MINEDUB, MINESEC and MINESUP pursuant to the Project Implementation *Arrêté*, and referred to in paragraph A.5 of Schedule 4 to this Agreement;

(s) “Procurement Plan” means the Borrower’s procurement plan, dated April 18, 2005 covering the initial 18-month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18-month period (or longer) of Project implementation;

(t) “Project Administrative, Financial and Accounting Manual” means the manual outlining the administrative, financial and accounting arrangements for the implementation of the Project, including Subprojects (as hereinafter defined), referred to in paragraph A.1 of Schedule 4 to this Agreement and to be adopted by the Borrower pursuant to Section 6.01 (b) of this Agreement as the same may be amended by agreement of the Parties from time to time, and such term includes any schedules to the Project Administrative, Financial and Accounting Manual;

(u) “PCU” means the Project Coordination Unit (*Unité de Coordination du Projet*) established and operating pursuant to the Project Implementation *Arrêté* (as hereinafter defined);

(v) “Project Implementation *Arrêté*” means the Borrower’s *Arrêté* No.066/CAB/PM dated April 8 2005 “*fixant les modalités d’exécution du programme d’appui au système éducatif*”;

(w) “Project Implementation Plans” means the plans established for each set of Project activities outlining operational modalities for the implementation of each said set of activities including, *inter alia*, the institutional, disbursement, procurement and environmental mitigation arrangements for the implementation of the Project, referred to in paragraph A.2 of Schedule 4 to this Agreement and adopted by the Borrower on February 21, 2005, as the same may be amended by agreement of the Parties from time to time, and such term includes any schedules to the Project Implementation Plans;

(x) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on November 26, 2003 and on behalf of the Borrower on December 9, 2003;

(y) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Credit Account referred to in Part A.5 of Schedule 1 to this Agreement;

(z) “School Council” means each of the bodies established and operating pursuant to *Décret No. 2001/041 du Président de la République portant organisation des établissements scolaires publics et fixant les attributions des responsables de l’administration scolaire* that may enter into a Subproject Grant Agreement (as hereinafter defined) with PCU for the purpose of carrying out a Subproject (as hereinafter defined), as described in Schedule 4 to this Agreement;

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

(bb) “SC” means the Steering Committee for the Project established and operating pursuant to the Project Implementation *Arrêté*, and referred to in paragraph A.2 of Schedule 4 to this Agreement;

(cc) “Subproject” means a specific activity to be carried out in an EPZ and financed, or proposed to be financed through a Subproject Grant (as hereinafter defined) under Part C of the Project;

(dd) “Subproject Grant” means a grant by the Borrower made, or proposed to be made, by a DC to finance a Subproject under Part C of the Project;

(ee) “Subproject Grant Agreement” means a grant agreement to be entered between PCU and a School Council for the purpose of carrying out a Subproject under Part C of the Project;

(ff) “Technical Support Agency” means an NGO or other entity providing assistance to a School Council for the preparation, implementation and supervision of Subprojects; and

(gg) “Technical Sub-committee for Coordination and Monitoring” or “TSCCM” means the committee established within the SC pursuant to the project implementation *Arrêté* and referred to in paragraph A3 of schedule 4 to this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to twelve million one hundred Special Drawing Rights (SDR 12,100,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of : (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for carrying out the Project and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or if the Association shall so agree, amounts to be paid) by the Borrower on account of withdrawals made for the benefit of a School Council to meet the reasonable cost of works, goods and services required for a Subproject to be financed, and in respect of which the withdrawal from the Credit Account is requested.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be September 1, 2010 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for

the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1 commencing August 2015, and ending February 1, 2045. Each installment to and including the installment payable on February 1, 2025, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate

agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate financial, technical, administrative, engineering and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project. The Borrower shall in particular, for the purpose of the Project: (i) provide facilities for GDLN, CIRD, CIT and the PCU; (ii) finance at least 25 Sub-projects referred to in Part C of the Project before the Project completion date; (iii) mobilize MINEDUB and MINESEC expertise at the central, provincial and department levels to implement the activities under Parts A and B of the Project; and (iv) undertake surveys on the performance indicators under Schedule 5 of this Agreement.

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

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement 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 Association, and furnish such update to the Association not

later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

Section 3.04. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall, for the purposes of the Project:

(a) open and thereafter maintain, for the duration of the Project, an account in CFA Francs (the Project Account) in a commercial bank on terms and conditions satisfactory to the Association;

(b) deposit into the Project Account an initial contribution of CFA Francs 30,000,000;

(c) thereafter deposit in the Project Account, at the end of each calendar quarter, until the completion of the Project, such amounts as shall be required to timely replenish the Project Account back to the amount of CFA Francs 60,000,000, or whenever the balance of the Project Account shall be less than CFA Francs 30,000,000; and

(d) ensure that amounts deposited into the Project Account shall be used exclusively to make payments to meet expenditures made or to be made in respect of the reasonable cost of goods, works and services for the Project in addition of those financed from the proceeds of the Credit.

Section 3.05. The Borrower shall, within six months of the Date of Effectiveness, adopt a regulation for the establishment of DC satisfactory to the Association.

Section 3.06. The Borrower shall, within twelve months of the Date of Effectiveness, legally establish the GDLN Center in a form satisfactory to the Association.

ARTICLE IV

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, 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 Association), commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made, audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association): (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 Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Borrower shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Schedule 4 to this Agreement the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

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

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

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely, that the Project Implementation *Arrêté* or any text governing the operations of SC, PCU, TSCCM, Operational Monitoring Units, DC or Schools Councils, MINEDUB, MINESEC, MINESUP, Governance Committee, GIS and any other entity involved in Project implementation, shall have been amended,

suspended, abrogated, repealed or waived so to materially and adversely affect the implementation of the Project.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that any event specified in Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that:

(a) the Project Account has been opened and the initial contribution referred to in Section 3.04 (b) of this Agreement has been deposited therein;

(b) the Borrower has established an accounting and financial management system for the Project satisfactory to the Association and adopted a Project Administrative, Financial and Accounting Manual (PAFAM) satisfactory to the Association; and

(c) the Borrower has employed the independent auditors referred to in Section 4.01 (b) of this Agreement, in accordance with the provisions of Section II of Schedule 3 to this Agreement.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower responsible for economy and finance 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 Economy and Finance
Yaoundé
Republic of Cameroon

Cable address:	Telex:	Facsimile:
		237 223 37 17

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) 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 the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF CAMEROON

By: /s/ Jérôme Mendouga
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Ali M. Khadr
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	300,000	100%
(2) Goods and vehicles	1,800,000	100%
(3) Consultants' Services	750,000	100%
(4) Training, Study Tours, Workshops	4,300,000	100%
(5) Grants for Subprojects	2,500,000	100% of amounts disbursed
(6) Operating costs	1,250,000	70%
(7) Refunding of Project Preparation Advance	450,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(8) Unallocated	750,000	
	<u>12,100,000</u>	
TOTAL	<u>=====</u>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods, works or services supplied from the territory of any country other than that of the Borrower;

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

(c) the term “Operating Costs” means the incremental expenses incurred by PCU and, on a decreasing base, the GDLN Center on account of Project implementation, management and monitoring, including office supplies, vehicles operation and maintenance, communication costs, rental expenses, utilities expenses, consumables, transport, travel and accommodation, per diem, supervision costs and salaries of local support staff, but excluding salaries of officials of the Borrower’s civil service; and

d) the term “Training” means the expenses incurred on per diem, travel, purchase of training materials and rental of facilities, and includes workshops and seminars.

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; and

(b) Subproject Grant under Category (5) unless the conditions for extending the five first Subproject Grants have been reviewed and found satisfactory by the Association.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$150,000 equivalent per contract; (b) works costing less than \$200,000 equivalent per contract; (c) for services of individual consultants costing less than \$50,000 equivalent per contract; (d) for services of consulting firms under contracts costing less than \$100,000 equivalent per contract; (e) training; (f) operating costs; and (g) Subprojects, all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Borrower may open and maintain in CFA Francs a special deposit account in a commercial Bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B 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 Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into the Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

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

(c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (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 Association 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 Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association 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 Association 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 Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association 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 Association, refund to the Association such outstanding amount.

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

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Credit Agreement.

Annex A

to

SCHEDULE 1

**Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of CFA Francs 800,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to CFA Francs 400,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,500,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

Annex B

to

SCHEDULE 1

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

1. Withdrawals from the Credit Account shall be deposited by the Association 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 Association from the Credit Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit 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 Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower: (a) in increasing the efficiency and equity of primary and secondary education, with a focus on disadvantaged areas, and (b) in improving the relevance of secondary and higher education to the needs of the economy.

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

Part A: Reinforcement of Administrative Management

1. Enhancing the capacity of internal auditing structures, in particular the GIS and the Governance Committee to curb corrupt practices by: (a) developing and disseminating manuals and guides to key MINEDUB and MINESEC officials at the central, provincial, and departmental levels; (b) training for key personnel; (c) carrying out awareness campaigns and workshops on governance and corruption issues; and (d) carrying out internal audits by private auditing firms, all through the provision of goods, services and training.
2. Reducing the randomness in the allocation of teachers and reinforcing the responsibilities of the decentralized structures of the MINEDUB related to teacher management by: (a) developing appropriate teacher allocation methods and standards; (b) training of relevant staff; and (c) appropriate office technology for relevant central and decentralized administrative levels, all through the provision of goods, services and training.
3. Improving the performance of the planning system by MINEDUB and MINESEC at the national and provincial levels through: (a) strengthening technical planning capacity; (b) improving information management; (c) setting up of a geographic information system and data collection system; and (d) improving assessment for education demand capacity, all through the provision of goods, services and training.
4. Developing within MINEDUB and MINESEC a more transparent and efficient allocation of public subsidies to private education through the carrying out of studies, study tours, workshops and consultations with the private sector stakeholders, all through the provision of goods, services and training.

Part B: Reinforcement of Pedagogic Management

1. Supporting the reduction of repetition rates through improving awareness and developing new exams and assessment procedures, all through the provision of goods, services and training.
2. Supporting the restructuring of the secondary education through national consultation activities, finalizing the restructuring of secondary cycles, developing and implementing a relevant regulation, and developing a competency framework, all through the provision of goods, services and training.
3. Improving the health situation of school children by undertaking a survey on the situation and existing strategies, adopting and implementing school health policies in primary and secondary education and developing curricula material, all through the provision of goods, services and training.

Part C: Supporting Enrollment and Reducing Gender Inequity in the EPZ

Increasing the demand for primary education and promoting gender equity in primary school enrollment in Adamaoua, Far-North, North, and East provinces through studies to assess the determinants of the demand for education in the EPZ and improve the system's ability to deal with them, advocacy and mobilization campaigns, micro-projects that help communities build amenities and provide learning materials to schools, training to reinforce planning and managerial capacities of School Councils, all through the provision of works, goods, services and training.

Part D: Building the Capacity of the Higher Education Institutions

1. Assisting in the establishment of FARP, through stakeholders' consultations, studies, and developing manuals for FARP, all through the provision of goods, services and training.
2. Facilitating operationalization and management of IITC by helping developing business plans for IITC and information and communication technologies strategic plans for each state university, as well as conducting stakeholder consultations and dissemination activities, all through the provision of goods, services and training.
3. Assisting in the legal structuring, and strengthening of the business planning capacity of ICRD, through the provision of goods, services and training.

4. Assisting in the establishment and initial operation of a GDLN Center including operating costs on a decreasing base, all through the provision of works, goods, services and training.

PART E: Project Management

Assistance to project management by UCP through the acquisition of vehicles and provision of operating costs.

* * *

The Project is expected to be completed by March 1, 2010.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: 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 Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

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

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

B. Other Procurement Procedures

1. Limited International Bidding. Goods, consisting of off-the-shelf textbooks, which the Association agrees can only be purchased from a limited number of suppliers may be procured under contracts awarded on the basis of Limited International Bidding.

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

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

4. Direct Contracting. Goods and works which the Association agrees meet the requirements for Direct Contracting referred to in paragraphs 3.1, 3.6 and 3.7 of the Procurement Guidelines may, with the Bank's prior agreement, be procured in accordance with the provisions of said procurement method.

5. Procurement from UN Agencies. Goods estimated to cost less than \$50,000 equivalent per contract may be procured directly from Inter-Agency Procurement Services Office (IAPSO) in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

6. Community Participation. Goods, works and services required for Part C of the Project may be procured on the basis of community participation in accordance with the clause 3.17 of the Procurement Guidelines, and the Guidelines for Simplified Procurement and Disbursements for Community-Based Investments dated February 1998, as further detailed in the Project Implementation Plans.

Section III. Particular Methods of Procurement of Consultants' Services

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

B. Other Procedures

1. Quality-based Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Under a Fixed Budget. Services for assignments which the Association 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 Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

4. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

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 Association'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 Association 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.

SCHEDULE 4

Implementation Program

A Project Implementation

1. The Borrower shall implement the Project, or cause the Project to be implemented, in accordance with the Project Implementation Plans, Project Administrative, Financial and Accounting Manual and the EMP, and, except as the Borrower and the Association shall otherwise agree, the Borrower shall not amend or waive any provision thereof, 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 objectives thereof.

2. SC

(a) The Borrower shall maintain the SC in form and with functions and resources satisfactory to the Association.

(b) The SC shall be responsible for Project oversight.

(c) The SC shall be chaired by the Minister of Basic Education with the Minister of Secondary Education and Minister of Higher Education as co-chairs, and shall include representatives of the Prime Minister's office, the Ministry of Economy and Finance and the Ministry of Planning.

3. TSCCM

(a) The Borrower shall maintain the SC in form and with functions and resources satisfactory to the Association.

(b) TSSCM is established within SC and shall ensure project supervision and technical coordination of project activities.

4. PCU

(a) The Borrower shall maintain within the MINEDUB the PCU, in a form and with functions and resources satisfactory to the Association, and with the following staff with qualifications and experience acceptable to the Association: a project

coordinator, a technical coordinator, a financial management specialist, an accountant and a procurement specialist.

(b) The PCU shall be responsible for technical coordination, operational and environmental monitoring of Project activities and management of implementation, procurement, financial and environmental management of Project operations including supervising the implementation of Subprojects.

(c) The PCU shall maintain a financial and accounting system, satisfactory to the Association, for the Project.

5. Operational Monitoring Unit

(a) The Borrower shall maintain an Operational Monitoring Unit in each of three participating ministries, namely MINEDUB, MINESEC and MINSUP, in a form and with functions and resources satisfactory to the Association.

(b) Each of the three Operational Monitoring Units shall be chaired by the relevant ministry's permanent secretary and shall include representatives of the technical departments involved in Project implementation.

(c) The Operational Monitoring Units shall be responsible for technical implementation of the Project including, preparation of action plans, terms of reference and technical specifications for equipments.

B. Subprojects and Subproject Grants

1. No Subproject shall be eligible for financing out of the proceeds of the Credit unless the relevant Departmental Committee has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Project Implementation Plans, that the Subproject satisfies the eligibility criteria specified below and in more detail in the Project Implementation Plans, which shall include, *inter alia*, the following:

(a) the Subproject shall be initiated by a local community represented by the relevant School Council;

(b) the Subproject shall be for any of the types of activities defined in the relevant Project Implementation Plan;

(c) there is no other source of financing proposing to finance the same activities, it being understood that co-financing is not excluded;

(d) the Subproject is, as the case may be, consistent with the local development plan or communal development plan;

(e) the Subproject shall be economically, financially, environmentally, institutionally and technically sound in accordance with the standards specified in the relevant Project Implementation Plan and the EMP;

(f) environmental requirements, including mitigation, reduction or offset measures, provided under the EMP shall have been complied with, all in a manner satisfactory to the Association;

(g) adequate arrangements shall be in place for the financing of maintenance and other incremental recurrent costs related to the Subproject;

(h) the Subproject shall be in compliance with the standards set forth in the applicable laws and regulations of the Borrower relating to health, education, safety and environmental protection;

(i) the relevant School Council shall provide at least 5% of the estimated costs of the Subproject in the form of cash, materials, labor or other services, as specified in the relevant Project Implementation Plan;

(j) no Subproject Grant shall be in excess of the equivalent of \$20,000;

(k) the relevant School Council backing a Subproject shall have opened, together with a Technical Assistance Agency, a Bank account.

2. Applications for Subproject Grants to finance Subprojects shall:

(a) be submitted by the relevant School Council to the relevant Departmental Committee, for the latter's approval; and

(b) after approval by the Departmental Committee, be referred by said Departmental Committee for financing to the PCU.

3. Subprojects shall be carried out pursuant to Subproject Grant Agreements, to be concluded between the Borrower and the relevant School Council, under terms and

conditions satisfactory to the Association defined in the Project Implementation Plans, which, *inter alia*, shall include the following:

- (a) financing to be on a grant basis;
- (b) the obligation to carry out the Subproject with the assistance of a Technical Support Agency in accordance with the Project Implementation Plan, the Project Administrative Financial and Accounting Manual and the EMP with due diligence and efficiency and in accordance with sound environmental, social, institutional, technical, financial and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subproject;
- (c) where applicable, the obligation to carry out, in a manner satisfactory to the Borrower and the Association, any environmental and social mitigation, reduction or offset measures in accordance with the provisions of the EMP;
- (d) the requirement that: (i) the goods, works, and services to be financed from the proceeds of the Subproject Grant shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement; and (ii) such goods, works and services shall be used exclusively in the carrying out of the Subproject;
- (e) the right of the Borrower to inspect, by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites and construction included in the Subproject, the operations thereof and any relevant records and documents;
- (f) the right of the Borrower to obtain all information as the Borrower or the Association shall reasonably request regarding the administration, operations and financial conditions of the Subproject; and
- (g) the right of the Borrower to suspend or terminate the right of the School Council to use the proceeds of the Subproject Grant for the Subproject upon failure by the School Council to perform any of its obligations under its Subproject Grant Agreement.

C. Reports and Mid-Term Review

1. The Borrower shall:

- (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to

this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about October 31, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, and including community, School Council and Technical Support Agency feedback reports and Subproject completion reports on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by November 30, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter;

(d) comply with auditing and reporting obligations provided for under the EMP.

2. Midterm Review

(a) On or about thirty months after the Effective Date, the Borrower shall carry out jointly with the Association, SC, PCU, the Technical Committees, a midterm review of the progress made in carrying out the Project (hereinafter referred to as the Midterm Review).

The Midterm Review shall cover, amongst other things:

- (i) progress made in meeting the Project's objective; and
- (ii) overall Project performance against Project performance indicators.

(b) The Borrower shall cause PCU to prepare and, at least four weeks prior to the Midterm Review, furnish to the Association a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

(c) The Borrower shall, not later than four weeks after the Midterm Review, prepare and submit to the Association an action program, acceptable to the Association, for the further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program. The Association shall provide its comments on said report within 15 days from its presentation to the Borrower

SCHEDULE 5

Performance Indicators

- 1) By the end of the Project, the *taux d'achèvement de l'enseignement primaire* has risen from 56% to 80%.
- 2) By the end of the Project, the degree of randomness in allocation of teachers is reduced from 45% to 25%.
- 3) By the end of the Project, 10 provinces of the Borrower establish a statistics directory every year and 6 provinces of the Borrower establish an analytical report every year.
- 4) By the end of the Project, the repetition rate in primary schools is reduced from 28% to 15% in Francophone system and from 17.4% to 15% in the Anglophone system.
- 5) The relevant legal framework for restructuring of secondary education is enacted by the end of the first Project's year and by the end of the Project, the new programs are completed and education personnel are trained.
- 6) By the end of the Project, the gender parity index in the ZEP has increased from 0.58 to 0.90.
- 7) During the Project's last year, the GDLN Center has offered short-courses to 400 people, including business managers, civil servants and representatives of and civil society.
- 8) By the end of the project, MINESUP will have a detailed university research directory, a procedures manual for university research and approved legislation on university research management.