Financing Agreement

(Additional Financing for Education Program for Results)
(Incorporating First Amendment to Original Financing Agreement)

between

THE UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 20, 2017
FINANCING AGREEMENT

AGREEMENT dated June 30, 2017, entered into between UNITED REPUBLIC OF TANZANIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

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

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to fifty-nine million Special Drawing Rights (SDR 59,000,000) (variously, "Credit" and "Financing"), to assist in financing the program described in Schedule I to this Agreement ("Program").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Financing Account shall be deposited by the Association into an account specified by the Recipient and acceptable to the Association.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are June 1 and December 1 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
2.07. The Payment Currency is Dollar.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the objective of the Program. To this end, the Recipient shall carry out the Program through its MoEST and PO-RALG in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Program is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.02. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its minister responsible for finance.

6.02. The Recipient’s Address is:

Ministry of Finance and Planning
Treasury Square Building
18 Jakaya Kikwete Road
P.O. Box 2802
40468 Dodoma
The United Republic of Tanzania

Facsimile:

(255) 222 11 0326
6.03. The Association’s Address is:

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

Telex: Facsimile:
248423 (MCI) 1-202-477-6391

AGREED at Dar es Salaam, The United Republic of Tanzania, as of the day and
year first above written.

THE UNITED REPUBLIC OF TANZANIA

By

Authorized Representative
Name: Dato' Magesh Thang
Title: Permanent Secretary

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative
Name: Bella Birt
Title: COUNTRY DIRECTOR
The objective of the Program is to improve education quality of the Recipient’s Schools.

The Program consists of the Original Program and the following additional activities:

1. Designing and implementing system-level reforms to policies, procedures and frameworks for, *inter alia*, strengthening School quality assurance, teacher deployment, School construction and equitable participation by and outcomes for students with special needs.

2. Provision of incentives so as to improve results in Schools, including, *inter alia*: (i) timely and equitable provision of resources for Schools (in particular, teachers, textbooks, SIG and Capitation Grants); (ii) learning outcomes such as numeracy; (iii) student survival rates; (iv) girls transition rates from primary to secondary Schools; and (v) Schools’ inspections outcomes.

3. Strengthening the capacities of MoEST, PO-RALG and key institutions for policy, planning and innovation in education service delivery.
SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation upon the provisions of Article IV of the General Conditions, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the Association ("Program Fiduciary, Environmental and Social Systems") which are designed to ensure that:

1. the Financing proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and

2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. Anti-Corruption

Without limitation upon the provisions of Part A of this Section, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

C. Other Program Institutional and Implementation Arrangements

1. Program Institutions

(a) MoEST and PO-RALG

(i) Without limitation upon the generality of Part A of this Section I, the Recipient shall designate, at all times during the implementation of the Program, its Ministry of Education, Science and Technology ("MoEST") to be responsible for the implementation of Program activities, and the Recipient shall take all actions, including, the provision of funding, personnel and other resources to enable said MoEST, to perform its functions under the Program.

(ii) The Recipient shall ensure that: (aa) the MoEST works in close collaboration with the PO-RALG to implement Program
activities, through the LGAs, at the local level; and (bb) said PO-RALG is maintained at all times during the implementation of the Program with mandate, staffing and resources satisfactory to the Association.

(b) **Senior Management Team**

(i) Without limitation upon the provisions of paragraph (a) immediately above, the Recipient shall maintain, at all times during the implementation of the Program, the Senior Management Team, with a composition, mandate, terms of reference and resources satisfactory to the Association, to be responsible for overseeing the allocation, implementation, and use of the Program funds.

(ii) The Senior Management Team shall meet biannually to, *inter alia*: (aa) get a progress update from each of the assigned working teams; (bb) make decisions and provide guidance to implementing teams under the Program; and (cc) resolve conflicts.

(c) **Independent Verification Agent**

Without limitation upon the provisions of paragraphs (a) and (b) of this Part I.C.1, the Recipient shall appoint and thereafter maintain, at all times during the implementation of the Program, an Independent Verification Agent, with qualifications, experience and terms and conditions of employment satisfactory to the Association, to be responsible for carrying out the Annual Performance Assessment provided for under Part III.D of this Schedule 2.

2. **Local Government Authority**

(a) To facilitate the carrying out of activities under the Program, the Recipient shall maintain at all times during the implementation of the Project each Local Government Authority ("LGA") with a composition, mandate and resources satisfactory to the Association.

(b) Without limitation upon the provision of paragraph (a) immediately above, the Recipient shall ensure that each LGA shall: (i) carry out its activities under the Program with due diligence and efficiency and in accordance with the Program Fiduciary, Environmental and Social Management Systems, the Anti-corruption Guidelines, and the Program Operational Manual; (ii) maintain policies and procedures adequate to enable it to monitor and evaluate the progress of its activities under the Program and the achievement of the Program’s objective; (iii) enable the Recipient (and
the Association, if the Association shall so request) to inspect the activities within said Program LGA’s jurisdiction, its operation and any relevant records and documents; (iv) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association may reasonably request relating to the foregoing; and (v) ensure that procurement is carried out in a timely fashion, in accordance with the Program Operational Manual and this Agreement, as applicable.

3. Program Operational Manual

(a) Without limitation upon the generality of Part A of this Section I, the Recipient shall, not later than thirty (30) days after the Effective Date, update and thereafter adopt, in form and substance satisfactory to the Association, the operational manual containing detailed institutional, administrative, financial, environmental and social, technical and operational guidelines and procedures for the implementation of the Program, including a description of the Program and thereafter, carry out the Program in accordance with such operational manual, as shall have been approved by the Association (“Program Operational Manual”).

(b) The Recipient shall not amend, abrogate or suspend, or permit to be amended, abrogated or suspended, any provision of the Program Operational Manual, without the prior written agreement of the Association. Notwithstanding the foregoing, if any provision of said Program Operational Manual is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail.

4. Additional Program Implementation Arrangements

Without limitation on the generality of Part A of this Section I, the Recipient shall carry out the Action Plan, or cause the Action Plan to be carried out, in accordance with the schedule set out in the said Action Plan in a manner satisfactory to the Association.

Section II. Excluded Activities

The Recipient shall ensure that the Program excludes any activities which:

A. in the opinion of the Association, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
B. involve the procurement of: (1) goods, estimated to cost US$30,000,000 equivalent or more per contract; (2) non-consulting services, estimated to cost US$20,000,000 equivalent or more per contract; or (3) consulting services, estimated to cost US$15,000,000 equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation; Audits

A. Program Reports

The Recipient shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 4.08 of the General Conditions. Each Program Report shall cover the period of one Fiscal Year, and shall be furnished to the Association not later than sixty (60) days after the end of the period covered by such report.

B. Program Financial Audits

Without limitation upon the generality of Section IA of this Schedule 2 and Section 4.09 of the General Conditions, the Recipient shall have the Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Unless otherwise agreed by the Association, each audit of the Financial Statements shall cover the period of one Fiscal Year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than twelve (12) months after the end of such period.

C. Procurement Audit

Without limitation upon the provisions of Part B of this Section III, the Recipient shall, in each Fiscal Year ("FY") beginning FY2018/19: (a) carry out under terms of reference satisfactory to the Association, an audit of contracts procured in the preceding FY and furnish said audit to the Association not later than six (6) months after the end of the FY to which said audit relates; and (b) ensure that the findings of said audit are taken into account in the Annual Performance Assessment for the FY to which said audit relates. To this end, the Recipient shall take all actions including the provision of funding, personnel and other resources to carry out said audit.

D. Annual Performance Assessment

1. Without limitation upon the provisions of Part A of this Section III, the Recipient shall, in each Fiscal Year during the implementation of the Program:

   (a) carry out or cause to be carried out, in accordance with the Program Operational Manual, an Annual Performance Assessment ("APA") covering the previous Fiscal Year ("FY"); and
(b) furnish said APA, not later than six (6) months after the end of said FY, to the Association.

2. The Recipient shall ensure that the APA takes into account the findings of the Procurement Audit, in accordance with the provisions of Sections III.C immediately above.

Section IV. Withdrawal of Financing Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association may specify from time to time by notice to the Recipient to finance the results ("Disbursement Linked Results" or "DLRs") achieved by the Recipient, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); all as set forth in the table in paragraph 2 of this Part A.

2. The following table specifies each category of withdrawal of the proceeds of the Financing (including the DLIs as applicable) ("Category"), the DLRs for each Category (as applicable), and the allocation of the amounts of the Financing to each Category:
<table>
<thead>
<tr>
<th>Category (including Disbursement Linked Indicator as applicable)</th>
<th>Disbursement Linked Result (as applicable)</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) DLI#1: Recipient has completed all the Foundational Activities</td>
<td>DLR#1.1: The Recipient has approved a school quality assurance operations manual; DLR#1.2: The Recipient has approved an updated national teacher deployment strategy that includes agreed formula for deployment of new teachers across LGAs; DLR#1.3: The Recipient has approved a strategy for primary and secondary students with special needs; and DLR#1.4: The Recipient has approved a school construction strategy</td>
<td>8,850,000 (of which 2,221,250 is for each DLR)</td>
<td>Full amount released for each DLR on completion of activity (as defined in the Verification Protocol).</td>
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<td>(2) DLI#2: The Recipient has achieved timely and adequate resource flows for the EP6orR Program</td>
<td>DLR#2.1: The Recipient has released bi-annually total level of funds per agreed EP6orR Budget Framework: FY2018/19</td>
<td>4,450,000 (of which 2,225,000 every six months)</td>
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<tr>
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<td></td>
<td>DLR#2.2: The Recipient has released monthly, full amounts of Capitation Grants agreed for each year to all Schools within each LGA: FY2017/18 FY2018/19</td>
<td>4,450,000 (of which 1,111,250 every six months)</td>
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<td>DLR#2.3: The Recipient has met the Agreed Target of percentage of Primary Schools providing evidence of receipt of textbooks showing subject and grade level: FY2017/18 FY2018/19</td>
<td>4,450,000 (of which 2,225,000 in FY2017/18 and 2,225,000 in FY2018/19)</td>
</tr>
<tr>
<td>(3) DLI #3: The Recipient has improved data management</td>
<td><strong>DLR #3.1:</strong> The Recipient has released an annual summary education performance report, in an acceptable format: FY2017/18 FY2018/19</td>
<td>1,450,000 (of which 725,000 per year)</td>
<td>The amount allocated is pro-rated in terms of number of LGAs for which complete information is available in acceptable format.</td>
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<tr>
<td><strong>DLR #3.2:</strong> The Recipient has made available online annual school-level EMIS data with unique school identifiers: FY2017/18 FY2018/19</td>
<td>1,450,000 (of which 725,000 per year)</td>
<td>The amount allocated is calculated as follows: funding per year will first be divided equally across all LGAs; funding per LGA will be pro-rated in terms of percentage of Schools for which complete data is available online.</td>
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</tr>
<tr>
<td>(4) DLI #4: The Recipient has achieved more efficient teacher allocation</td>
<td><strong>DLR #4.1:</strong> The Recipient has met the Agreed Target of percentage of LGAs achieving the acceptable range for primary PTRs: FY2018/19</td>
<td>1,450,000</td>
<td>The amount allocated is pro-rated in terms of percentage of LGAs achieving the acceptable range for primary PTRs as compared to Agreed Target. The amount of disbursement is contingent on revisions made to the teacher deployment framework under DLR 1.2.</td>
</tr>
<tr>
<td><strong>DLR #4.2:</strong> The Recipient has met the Agreed Target of number of Primary Schools achieving the acceptable range of primary PTRs in each LGA: FY2018/19</td>
<td>2,200,000</td>
<td>The amount allocated is calculated as follows: funding per year will first be divided equally across all LGAs; funding per LGA will be pro-rated in terms of number of Schools achieving the acceptable range for primary PTRs as compared to Agreed Target. The amount of disbursements is contingent on revisions made to the teacher deployment framework under DLR 1.2.</td>
<td></td>
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<tr>
<td>DLI #5: The Recipient has provided School Incentive Grants</td>
<td>DLR #5.1: The SIG Guidelines and STEP Guidelines have been prepared: FY2013/14.</td>
<td>0</td>
<td>DLR #5.2: The Recipient has met the Agreed Target of number of Schools that have received monetary SIG based on performance: FY2017/18 FY2018/19</td>
</tr>
<tr>
<td>DLI #6: Recipient has demonstrated an increase in student learning outcomes</td>
<td>DLR #6.1: The Recipient has developed and agreed upon the 3R assessment tools with PO-RAI/G: FY2013/14</td>
<td>0</td>
<td>DLR #6.2: The Recipient has met the national average target for reading correct words per minute (wpm) in oral reading fluency sub-module of 3R assessment among grade 2 students: FY2017/18</td>
</tr>
<tr>
<td>DLI #7: The Recipient has improved student survival and transition outcomes</td>
<td>DLR #7.1: The Recipient has met the Agreed Target of percentage of LGAs/regions achieving year-on-year increase in aggregate primary and lower secondary survival rates: FY2017/18</td>
<td>4,450,000 (of which 2,225,000 per year)</td>
<td>50 percent of amount allocated will be pro-rated according to the proportion of the Agreed Target percentage of LGAs achieving an improvement in performance for primary survival rates.</td>
</tr>
<tr>
<td>FY2018/19</td>
<td>50 percent of amount allocated will be pro-rated according to the proportion of the Agreed Target percentage of regions achieving an improvement in performance for lower secondary survival rates. Disbursed funds will be divided between LGAs/regions according to their achievement as laid out in the Program Operational Manual.</td>
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<tr>
<td>DLR#7.2: The Recipient has met the Agreed Target of percentage of regions achieving year-on-year increase in girls’ transition rate from primary standard 7 to Secondary form 1: FY2017/18 FY2018/19</td>
<td>4,450,000 (of which 2,225,000 per year) The amount allocated will be pro-rated according to the proportion of the Agreed Target percentage of regions achieving an improvement in performance for girls’ transition rate to lower secondary Schools. Disbursed funds will be divided between LGAs/regions according to their achievement as stipulated in the Program Operational Manual.</td>
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<tr>
<td>(8) DLR#8: The Recipient has improved the school quality assurance system</td>
<td>DLR #8.1: The Recipient has met the Agreed Target of percentage of Schools displaying school report cards based on whole school inspection: FY2017/18 FY2018/19</td>
<td>7,400,000 (of which 3,700,000 per year) The amount allocated will be pro-rated according to the percentage of Schools inspected and displaying report cards as a proportion of the annual Agreed Target.</td>
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<td></td>
<td>DLR #8.2: The Recipient has met the Agreed Target of increase in school quality score for selected Schools to be inspected twice in consecutive years: FY2018/19</td>
<td>3,650,000 The amount allocated will be pro-rated according to percentage of sample Schools achieving minimum improvement in school quality score. Definition of minimum improvement to be developed under DLR 1.1. Disbursed funds will be divided between LGAs according to their achievement as laid out in the Program Operational Manual.</td>
<td></td>
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<tr>
<td>(9) DLR#9: The Recipient has achieved a number of new commissions granted to support policy, planning and innovation capacity activities</td>
<td>DLR #9.1: The Recipient has met the Agreed Target of number of new commissions granted to support policy, planning and innovation: FY2017/18 FY2018/19</td>
<td>1,450,000 (of which 725,000 per year) The amount allocated will be pro-rated proportional to total value of commissions granted. Maximum of SDR 362,500 per year if one activity commissioned: maximum of SDR 725,000 per year if two or more activities commissioned.</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>59,000,000</td>
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<td></td>
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</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for purposes of Section 2.03 of the General Conditions (renumbered as such pursuant to paragraph 6 of Section II of the Appendix to this Agreement and relating to Program Expenditures), for DLRs achieved prior to the date of this Agreement; or

   (b) for any DLR referred to in the table in paragraph A.2 of this Section, unless and until the Recipient has furnished evidence satisfactory to the Association that said DLR has been achieved and verified in accordance with the Verification Protocol.

2. Notwithstanding the provisions of Part B.1 of this Section, if any of the DLRs referred to in the table in paragraph A.2 of this Section has not been achieved, the Association may, by notice to the Recipient: (a) reallocate all or a portion of the proceeds of the Financing then allocated to said DLR to any other DLR; and/or (b) cancel all or a portion of the proceeds of the Financing then allocated to said DLR.

3. The Closing Date is January 31, 2020.

4. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Recipient has failed to provide evidence satisfactory to the Association that the Withdrawn Financing Balance does not exceed the total amount of Program Expenditures, the Recipient shall, promptly upon notice from the Association, refund to the Association such excess amount of the Withdrawn Financing Balance. The Association shall cancel the refunded amount of the Withdrawn Financing Balance.
SCHEDULE 3
Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage) *</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each June 1 and December 1,</td>
<td>1.5625%</td>
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<tr>
<td>commencing June 1, 2023, to and</td>
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<tr>
<td>including December 1, 2054.</td>
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</tbody>
</table>

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

Section I. Definitions

1. "3R" means reading, writing and arithmetic skills in Standard 2 of selected primary Schools.

2. "Action Plan" means the Recipient’s plan dated May 2, 2017, and referred to in Part I.C.4 of Schedule 2 to this Agreement, as may be amended from time to time with the agreement of the Association.


5. "Capitation Grants" or “CGs” means the grant paid by the Recipient to Schools to help them meet their operating expenses.

6. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

7. "Disbursement Linked Indicator" or “DLI” means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

8. "Disbursement Linked Result" or “DLR” means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Financing allocated to said result may be withdrawn in accordance with the provisions of said Section IV.

9. "Education Management Information System” or “EMIS” means the Recipient’s system for collecting school data.

10. “EPforR Program” or “Program” means the program described in Schedule 1 to this Agreement.


12. “Fiscal Year” or “FY” means the Recipient’s fiscal year commencing July 1 and ending June 30 of the following year.
13. "Foundational Activities" means the additional set of activities required to establish a framework for the Program under DLI #1.

14. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

15. "Independent Verification Agent" means the Recipient's agent referred to in Section I.C.1(c) of Schedule 2 to this Agreement.

16. "Local Government Authority" or "LGA" means any local authority within the Recipient's territory.

17. "Ministry of Education, Science and Technology" or "MoEST" means the Recipient's ministry responsible for education, and any successor thereto.

18. "Original Financing Agreement" means the financing agreement for the Big Results Now in Education Program between the Recipient and the Association, dated August 19, 2014, (Credit No. 5527-TZ), as amended to the date of this Agreement.

19. "Original Program" means the Program described in Schedule 1 to the Original Financing Agreement.

20. "Program Operational Manual" or "POM" means the Recipient's manual, adopted pursuant to the provisions of Section I.C.3 of Schedule 2 to this Agreement, containing a description of the Program as well as the detailed institutional, administrative, financial, environmental, technical and operational guidelines and procedures for the implementation of the Program.

21. "Program Fiduciary and Environmental and Social Systems" means the Recipient's systems for the Program referred to in Section I.A of Schedule 2 to this Agreement.

22. "PO-RALG" means the Recipient's President's Office-Regional Administration and Local Government, and any successor thereto.

23. "Primary School" means any public primary school within the Recipient's territory.

24. "PTR" means Pupil-Teacher Ratio.

25. "School" means any public primary or secondary school within the Recipient's territory.
26. “School Incentive Grant” or “SIG” means the annual monetary or non-monetary incentives to eligible Schools as further described in the SIG Guidelines.

27. “Senior Management Team” means the Recipient’s team referred to in Part I.C.1(b) of Schedule 2 to this Agreement, and any successor thereto.

28. “SIG Guidelines” means the document to be prepared by the MoEST and that includes the key principles, funding levels, and awards for the SIG award system.

29. “Standard 2” means the Recipient’s second year of primary education.

30. “STEP” means the Recipient’s Student Teacher Enrichment Program.


32. “Verification Protocol” means the Recipient’s protocol entitled ‘DLI Verification Protocol Table’ and approved no later than thirty (30) days after the Effective Date, detailing the means by which the fulfillment of the DLRs will be verified under the Program.

33. “wpm” means words per minute.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows (references to Sections are to the respective Sections in the General Conditions):

1. Wherever used throughout the General Conditions, the term “the Project” is modified to read “the Program”, the term “the Project Agreement” is modified to read “the Program Agreement”, the term “Project Implementing Entity” is modified to read “the Program Implementing Entity”, the term “Project Report” is modified to read “Program Report”; and the term “Eligible Expenditures” is modified to read “Program Expenditures”.

2. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

3. Section 2.02, Special Commitment by the Association, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

4. In Section 2.02 (originally numbered as Section 2.03), the heading “Applications for Withdrawal or for Special Commitment” is replaced with “Applications for Withdrawal or for Special Commitment”
Withdrawal", and the phrase "or to request the Association to enter into a Special Commitment" is deleted.

5. The section originally numbered as Section 2.04, Designated Accounts, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), Eligible Expenditures (renamed "Program Expenditures" in accordance with paragraph 1 of this Section II), is modified to read: "(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Financing in accordance with the provisions of the Legal Agreements;".

7. The last sentence of Section 2.04 (originally numbered as Section 2.06), Financing Taxes, is modified to read: "To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Financing, as required to ensure consistency with such policy of the Association."

8. Section 2.06 (originally numbered as Section 2.08), Reallocation, is modified to read: "Notwithstanding any allocation of an amount of the Financing to a withdrawal category under the Financing Agreement, the Association may, by notice to the Recipient, reallocate any other amount of the Financing to such category if the Association reasonably determines at any time that such reallocation is appropriate for the purposes of the Program."

9. Section 6.01, Cancellation by the Recipient, is modified to read: "The Recipient may, by notice to the Association, cancel any amount of the Unwithdrawn Financing Balance."

10. Paragraph (d) of Section 6.03, Cancellation by the Association, entitled "Misprocurement", is deleted, and subsequent paragraphs are relettered accordingly.

11. Section 6.04, Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Association, is deleted in its entirety, and subsequent Sections in Article VI and references to such Sections are renumbered accordingly.

12. In the Appendix, Definitions, all references to Section numbers are modified, as necessary, to reflect the modifications set forth above. In addition, the definition
of the term "Special Commitment" set forth in paragraph 50 is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.
Annex

First Amendment to the Original Financing Agreement

The Original Financing Agreement ("Agreement") is amended as follows:

1. The name of the Program on the cover page of the Agreement is amended to read as follows:

"Education Program for Results"

2. All references to "MoEVT" in the Agreement are replaced by "MoEST", and all references to "PMO-RALG" in the Agreement are replaced by "PO-RALG".

3. Sub-paragraph 1(b) of Section L.C. of Schedule 2 to the Agreement is deleted in its entirety and replaced by the following paragraph:

"(b) Senior Management Team

(iii) Without limitation upon the provisions of paragraph (a) immediately above, the Recipient shall maintain, at all times during the implementation of the Program, the Senior Management Team, with a composition, mandate, terms of reference and resources satisfactory to the Association, to be responsible for overseeing the allocation, implementation, and use of the Program funds.

(iv) The Senior Management Team shall meet biannually to, *inter alia*: (aa) get a progress update from each of the assigned working teams; (bb) make decisions and provide guidance to implementing teams under the Program; and (cc) resolve conflicts."

4. Sub-paragraph 1(c) (Education Ministry and PMO-RALG Delivery Units and President’s Delivery Bureau) of Section L.C. of Schedule 2 to the Agreement is deleted in its entirety, and the subsequent paragraph renumbered accordingly.

5. Paragraph 2 (Local Government Authority) of Section L.C. of Schedule 2 to the Agreement is amended to read as follows:

"2. Local Government Authority

(a) To facilitate the carrying out of activities under the Program, the Recipient shall maintain at all times during the implementation of the Project each Local Government Authority ("LGA") with a
composition, mandate and resources satisfactory to the
Association.

(b) Without limitation upon the provision of paragraph (a)
immediately above, the Recipient shall ensure that each LGA
shall: (aa) carry out its activities under the Program with due
diligence and efficiency and in accordance with the Program
Fiduciary, Environmental and Social Management Systems, the
Anti-corruption Guidelines, and the Program Operational Manual;
(bb) maintain policies and procedures adequate to enable it to
monitor and evaluate the progress of its activities under the
Program and the achievement of the Program’s objective; (cc)
enable the Recipient (and the Association, if the Association shall
so request) to inspect the activities within said Program LGA’s
jurisdiction, its operation and any relevant records and documents;
(dd) prepare and furnish to the Recipient and the Association all
such information as the Recipient or the Association may
reasonably request relating to the foregoing; and (ee) ensure that
procurement is carried out in a timely fashion, in accordance with
the Program Operational Manual and this Agreement, as
applicable

6. Section III.A (Program Reports) of Schedule 2 to the Agreement is amended to
read as follows:

“A. The Recipient shall monitor and evaluate the progress of the Program and
prepare Program Reports in accordance with the provisions of Section 4.08
of the General Conditions. Each Program Report shall cover the period of
one Fiscal Year, and shall be furnished to the Association not later than
sixty (60) days after the end of the period covered
by such report.”

7. Section III.B (Program Financial Audits) of Schedule 2 to the Agreement is
amended to read as follows:

“B. Without limitation on the generality of Section I.A of this Schedule 2 and
Section 4.09 of the General Conditions, the Recipient shall have the
Financial Statements audited in accordance with the provisions of Section
4.09(b) of the General Conditions. Each audit of the Financial Statements
shall cover the period of one fiscal year of the Recipient. The audited
Financial Statements for each such period shall be furnished to the
Association not later than twelve (12) months after the end of such period.”

8. Sub-paragraph 1(a) of Section III.D (Annual Performance Assessment) of
Schedule 2 to the Agreement is amended to read as follows:
"1. Without limitation upon the provisions of Part A of this Section III, the Recipient shall, in each Fiscal Year during the implementation of the Program:

(a) carry out or cause to be carried out, in accordance with the Program Operational Manual, an Annual Performance Assessment ("APA") covering the previous Fiscal Year ("FY")."

10. The table under paragraph 2 of Section IV.A (Withdrawal of Financing Proceeds) of Schedule 2 to the Agreement is amended to read as follows:

"2. The following table specifies each category of withdrawal of the proceeds of the Financing (including the Disbursement Linked Indicators as applicable) ("Category"), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Financing to each Category:"
<table>
<thead>
<tr>
<th>Category (including Disbursement Linked Indicator as applicable)</th>
<th>Disbursement Linked Result (as applicable)</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) DLI #1: Recipient has completed all the Foundational Activities</td>
<td><strong>DLR#1.1:</strong> The Recipient’s MoEST, PO-RALG and Ministry of Finance agreed with the Association and Co-finance on a 4-year BRNEd Budget Framework, coded against specific budget lines in the Recipient’s Budget in FY2013/14</td>
<td>10,000,000 (of which 2,000,000 is for each DLR), Total Results Achieved: 10,000,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>DLR#1.2:</strong> The Recipient’s MoEST has reviewed and revised (i) EMIS staff job descriptions; aligned with appropriate civil service grading system; and (ii) finalized and approved school census format and guidelines and disseminated to all district education officers in FY2013/14</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>DLR#1.3:</strong> The Recipient’s MoEST and PO-RALG have agreed on a format for measuring and collecting verifiable data related to the transfer of Capitation Grants to Schools in FY2013/14</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>DLR#1.4:</strong> The Recipient’s MoEST has prepared a list of all primary and secondary schools on the Recipient’s territory with information on location, number of students and teachers in FY2013/14</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>DLR#1.5:</strong> The Recipient’s MoEST has prepared a format for: (i) measuring and collecting verifiable data related to primary PTR at school and LGA level and disseminated a summary primary PTR report format, with guidance notes to all LGAs (including acceptable ranges between 35-50); and (ii) established baseline values for 2013/14 and, agreed upon with PO-RALG. 4 year targets for primary school PTRs in FY2013/14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) DLI #2: The Recipient has achieved timely and adequate resource flows for the EPforR Program</td>
<td><strong>DLR#2.1:</strong> The Recipient has released bi-annually total level of funds per agreed EPforR Budget Framework: FY2014/15 and FY2015/16</td>
<td>7,100,000 (of which 887,500 in every quarter) in FY2014/15 and FY2015/16, Total</td>
<td>The amount allocated is pro-rated in terms of percentage of funding released. For FY2016/17 and FY2017/18, Release of funding against teacher claims counts only</td>
</tr>
</tbody>
</table>
FY2016/17
FY2017/18

Results Achieved:

5,633,500
10,000,000 (of which 2,500,000 every six months) in FY2016/17 and FY2017/18

up to 120% of budgeted amount for that item.

**DLR#2.2.** The Recipient has released monthly, full amounts of Capitation Grants agreed for each year to all Schools within each LGA:

FY2014/15
FY2015/16
FY2016/17

2,600,000 (of which 325,000 per quarter) in FY2014/15 and 2015/16. Total Results Achieved: 1,958,938

Only Capitation Grants (in cash) qualify towards disbursement in FY2016/17.

**DLR #3.1:** The Recipient has released an annual summary education performance report, in an acceptable format:

FY2014/15
FY2015/16
FY2016/17

2,600,000 (of which 1,300,000 per year) in FY2014/15 and FY2015/16. Total Results Achieved: 2,418,800

The amount allocated is pro-rated in terms of number of LGAs for which complete information is available in acceptable format.

**DLR #3.2:** The Recipient has made available online annual school-level EMIS data with unique school identifiers:

FY2014/15
FY2015/16
FY2016/17

2,600,000 (of which 1,300,000 per year) in FY2014/15 and FY2015/16. Total Results achieved: 2,546,700

The amount allocated is calculated as follows: funding per year will first be divided equally across all LGAs; funding per LGA will be pro-rated in terms of percentage of schools for which complete data is available online.

**DLR #4.1:** The Recipient has met the Agreed Target of percentage of LGAs achieving the acceptable range for primary PTRs:

FY2014/15
FY2015/16

2,600,000 (of which 1,300,000 per year) in FY2014/15 and FY2015/16. Total Results achieved:

The amount allocated is pro-rated in terms of percentage of LGAs achieving the acceptable range for primary PTRs as compared to Agreed Target.

(3) DLI #3: The Recipient has improved data management

(4) DLI #4: The Recipient has achieved more efficient teacher allocation.
<table>
<thead>
<tr>
<th>DLR #4.2: The Recipient has met the Agreed Target of number of primary schools achieving the acceptable range of primary PTRs in each LGA: FY2014/15</th>
<th>2,600,000</th>
<th>The amount allocated is calculated as follows: funding per year will first be divided equally across all LGAs; funding per LGA will be pro-rated in terms of number of Schools comparing to Agreed Target. The amount of disbursements is contingent on revisions made to the teacher deployment framework under DLR #4.2 of the Additional Financing in FY2017/18.</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015/16</td>
<td>3,500,000 (of which 2,000,000 in FY2016/17 and 1,500,000 in FY2017/18)</td>
<td></td>
</tr>
<tr>
<td>FY2016/17</td>
<td>2,000,000 (of which 1,000,000 per year in FY2014/15 and FY2015/16. Total Results Achieved: 1,250,000)</td>
<td></td>
</tr>
<tr>
<td>FY2017/18</td>
<td>5,000,000 (of which 3,500,000 in FY2016/17 and 1,500,000 in FY2017/18)</td>
<td></td>
</tr>
</tbody>
</table>

(5) DLR #5: The Recipient has provided School Incentives

<table>
<thead>
<tr>
<th>DLR #5.1: The SIG Guidelines and Step Guidelines have been prepared: FY13/14</th>
<th>4,000,000 (of which 2,000,000 is for each guidelines). Total results achieved: 4,000,000</th>
<th></th>
</tr>
</thead>
</table>

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<thead>
<tr>
<th>DLR #5.2: The Recipient has met the Agreed Target of number of Schools that have received monetary SIG based on performance: FY2014/15FY2015/16FY2016/17</th>
<th>2,600,000 (of which 1,300,000 per year in FY2014/15 and FY2015/16). Total Results Achieved: 2,574,000</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015/16</td>
<td>2,000,000 in FY2016/17</td>
<td></td>
</tr>
<tr>
<td>DLR #5.3</td>
<td>The Recipient has met the annual target for Schools that have conducted STEP activities: FY2014/15 FY2015/16</td>
<td>2,600,000 (of which 1,300,000 per year) in FY2015/16. Total Results Achieved: 2,600,000</td>
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<tr>
<td>DLR #6.1</td>
<td>The Recipient has developed and demonstrated an increase in agreed upon 3R assessment tools with the PORA occurrence in FY2013/14</td>
<td>2,100,000 Total Results Achieved: 2,100,000</td>
</tr>
<tr>
<td>DLR #6.2</td>
<td>The Recipient has met the national average target for reading correct words per minute (wpm) in oral reading fluency sub-module of 3R assessment among grade 2 students: FY2014/15 FY2015/16 FY2017/18</td>
<td>5,000,000 (of which 2,500,000 pro-rated in terms of improvement in wpm). Total Results Achieved: 5,000,000</td>
</tr>
<tr>
<td>DLI #7</td>
<td>The Recipient has improved student survival and transition outcomes</td>
<td></td>
</tr>
<tr>
<td>DLR #7.1</td>
<td>The Recipient has met the Agreed Target of percentage of LGAs/Regions achieving year-on-year increase in aggregate primary and lower secondary education survival rates: FY2016/17</td>
<td>4,000,000 in FY2016/17</td>
</tr>
</tbody>
</table>
proportion of the target percentage of Regions achieving the improvement in performance for lower secondary survival rates.

Disbursed funds will be divided between LGAs/Regions according to their achievement as laid out in the Program Operational Manual.

| TOTAL AMOUNT | 78,800,000 |
9. Section 1 (Definitions) of the Appendix to the Agreement is amended as follows:

(a) Paragraph 4 is amended to read as follows:

“EPforR Program” or “Program” means the program described in Schedule 1 to the Financing Agreement (Additional Financing for Education Program for Results and Incorporating First Amendment to Original Financing Agreement) between the Recipient and the Association.

(b) Paragraph 18 is amended to read as follows:

“MoEST” means the Recipient’s Ministry of Education, Science and Technology, and any successor thereto.”

(c) Paragraph 22 is amended to read as follows:

“PO-RALEG” means the Recipient’s President’s Office-Regional Administration and Local Government, and any successor thereto.”