

CONFORMED COPY

LOAN NUMBER 3128 IVC

(Municipal Development Project)

between

REPUBLIC OF COTE D'IVOIRE

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated October 25, 1989

LOAN NUMBER 3128 IVC

LOAN AGREEMENT

AGREEMENT, dated October 25, 1989, between the REPUBLIC OF COTE D'IVOIRE (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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 Bank to assist in the financing of the Project;

(B) the Borrower intends to obtain from the United Nations Development Program (UNDP) a grant (the UNDP Grant) in an amount of \$750,000 to assist in financing the management of Part A of the Project described in Schedule 2 to this Agreement on the terms and conditions set forth in an agreement (the UNDP Project Document) to be entered into among the Borrower, UNDP and the International Labor Office (ILO) acting as executing agency for UNDP; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

(a) "BCEAO" means the Banque Centrale des Etats de l'Afrique de l'Ouest, the central bank of the Borrower;

(b) "Beneficiary" means a municipality, the city of Abidjan or an intermunicipal public utility association (association d'utilite publique intercommunale);

(c) "DGF" means the Dotation Globale de Fonctionnement of the municipalities and the city of Abidjan;

(d) "CAA" means the Caisse Autonome d'Amortissement of the Borrower;

(e) "CFAF" or "CFA Francs" means the currency of the Borrower;

(f) "Circular" means the circular referred to under Section 3.06 (b) (i) of this Agreement setting forth the general terms and conditions for the use by Beneficiaries of the proceeds of the Loan allocated from time to time to Category (3) of the table in paragraph 1 of Schedule 1 to this Agreement;

(g) "DCGTx" means the Direction et Controle des Grands Travaux of the Borrower;

(h) "DCL" means the Direction des Collectivites Locales, a directorate of the Borrower's Ministry in charge of Interior;

(i) "DGI" means the Direction Generale des Impots, a directorate of the Borrower's Ministry in charge of Economy and Finance;

(j) "FPCL" means the Fonds de Prets aux Collectivites Locales referred to under Section 3.06 (a) of this Agreement;

(k) "Project Document" means the project description titled "Assistance to communal development", to be signed by the Borrower, UNDP and ILO, as well as the cost sharing agreement to be signed by the Borrower and UNDP;

(l) "Project Municipalities" means a first set of municipalities including Bouafle, Boundiali, Dabakala, M'batto and Soubre, and two additional set of municipalities to be selected during the execution of the Project in accordance with Schedule 5 to this Agreement to carry out PACs (as hereinafter defined);

(m) "PAC" means the Programme d'Actions Concertees to be entered into between the Borrower and each Project Municipality, for purposes of carrying out Part D.1 of the Project;

(n) "Sub-loan" means a loan made or proposed to be made by FPCL to a Beneficiary out of the proceeds of the Loan allocated to Category (3) of the table in paragraph 1 of Schedule 1 to this Agreement, and "Sub-loan Agreement" means the agreement between FPCL and a Beneficiary for purposes of making a Sub-loan;

(o) "Sub-project" means a long-term municipal investment to be made by a

Beneficiary out of the proceeds of a Sub-loan; and

(p) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of sixty-six million Dollars (\$66,000,000), as the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in CFAF two special accounts in CAA, for Parts B, D.1, D.5 and E, and for Part C of the Project, respectively, and a third special account in a commercial bank for Parts D.2 to D.4 and D.6 of the Project, on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1994, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice

to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

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: Part A of the Project through DCL; Part B of the Project through DCGTx and the implementation of the fiscal reforms in said Part of the Project through DGI; Part C of the Project through the Steering Committee and the technical secretariat referred to under Section 3.06 of this Agreement; Parts D.1 to D.6 of the Project through DCGTx; and Part E of the Project through its Ministry in charge of Planning, with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental and engineering practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower has appointed DCGTx for the supervision and control of the execution of the Project. To this end, DCGTx undertakes the financial monitoring of the Project and the preparation each quarter of the reports provided for in Section 9.07 (a) (iii) of the General Conditions.

(c) Without limitation upon its obligations under paragraph (a) of this Section, the Borrower shall, for purposes of Part C of the Project:

(i) deposit into FPCL the proceeds of the Loan allocated from time to time to Category (3) of the table in paragraph 1 of Schedule 1 to this Agreement; and

(ii) cause CAA to enter into Sub-loan Agreements with Beneficiaries, in accordance with the Circular referred to under Section 3.06 of this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the works, goods and consultants' services required for Parts B through E of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Borrower shall, not later than October 31, 1990, review, in consultation with the Bank, the recommendations of the fiscal studies referred to under Part B.1 of the Project, propose in its 1992 budget-law those measures satisfactory to the Bank expected to increase the yields from the business tax, and take necessary technical measures, such as the preparation of a fiscal cadastre, to facilitate the land property tax reform, and to improve its billing and collection.

Section 3.04. The Borrower shall take all necessary actions, including the employment of qualified and experienced staff in adequate numbers, to strengthen DGI's capacity in billing and collection of the land property and business taxes.

Section 3.05. The Borrower shall introduce, not later than November 30, 1990, a mechanism, satisfactory to the Bank, to rationalize the allocation of the DGF among municipalities and the city of Abidjan.

Section 3.06. In order to carry out Part C of the Project, the Borrower shall:

(a) open and maintain in CAA the FPCL, on terms and conditions satisfactory to the Bank, and make an initial deposit therein of CFAF 30,000,000;

(b) establish and thereafter maintain a Steering Committee, chaired by the President Director General of CAA, and composed of the Ministers in charge of Economy and Finance, Interior and Budget, and the Director General of DCGTx, or their respective representatives, to, inter alia:

(i) issue a Circular, satisfactory to the Bank, to the Beneficiaries which shall include, inter alia:

- the financial eligibility criteria of Beneficiaries, with an annual Sub-loan ceiling for the municipalities of Abidjan, the city of Abidjan and the municipalities of Bouake and Yamoussoukro;

- the financial, technical and economic criteria of Sub-projects, and a list of Sub-projects which are not eligible for FPCL's financing;

- terms and conditions of Sub-loans applicable to each category of Sub-project including interest rates, repayment and grace periods;

- guidelines on Sub-project preparation, appraisal and implementation, and standard Sub-loan request forms and Sub-loan Agreements; and

- guidelines for the mandatory control by DCGTx of the use of the funds lent under Sub-loan Agreements;

(ii) monitor FPCL's financial performance;

(iii) approve any Sub-loan application;

(iv) adjust, if necessary, with the Bank's prior approval the terms and conditions of Sub-loans pursuant to FPCL's financial situation, and in accordance with BCEAO's applicable regulations; and

(v) send to the Bank, for information, quarterly reports on the activities of the FPCL and the status of approved Sub-projects;

(c) appoint a Manager for FPCL with qualifications and experience satisfactory to the Bank;

(d) establish and thereafter maintain a technical secretariat, composed of FPCL's Manager, a representative of DCL and a representative of DCGTx who shall coordinate the activities of said secretariat; the technical secretariat shall, inter alia:

- conduct investigations on the financial eligibility of Beneficiaries to FPCL's financing;

- propose economical and technical criteria for each type of Sub-projects;

- for approval; - submit any proposed Sub-project to the Steering Committee
- Steering - conduct investigations on any application submitted to the Committee;
- prepare FPCL's financial simulations; and
- (v) of this - prepare the quarterly reports referred to in paragraph (b) Section; and

(e) entrust DCGTx with the responsibility of reviewing and appraising all financial, technical and economical analyses of any proposed Sub-project, before it is submitted to the Steering Committee for approval through the technical secretariat.

Section 3.07. The Borrower shall, not later than January 1, 1990, select the second set of additional Project Municipalities, and, not later than December 31, 1990, select the third set of additional Project Municipalities, satisfactory to the Bank, in accordance with the criteria set forth under Schedule 5 to this Agreement, and submit to the Bank for prior approval any PAC prepared during the execution of the Project for said Project Municipalities.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Accounts and FPCL for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as practicable, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

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

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls

involved in their preparation, can be relied upon to related withdrawals.

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ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that:

(a) Subject to paragraph (b) of this Section the right of the Borrower to withdraw the proceeds of the UNDP Grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the UNDP Project Document.

(b) Paragraph (a) of this Section shall not apply if the Borrower establishes to the satisfaction of the Bank that:

(i) such suspension, cancellation or termination is not caused by the failure of the UNDP Project the Borrower to perform any of its obligations under the UNDP Project Document; and

(ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely that the decree establishing FPCL in accordance with Section 3.06 (a) of this Agreement has become effective.

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 in charge of 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
P.O. Box V 125
Abidjan
Republic of Cote d'Ivoire

Cable address:

MINFIN
Abidjan

Telex:

MINFIN 23747

For the Bank:

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

United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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 COTE D'IVOIRE

By /s/ Charles Gomis

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Edward V.K. Jaycox

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Part A of the Project:		71%
(a) consultants' services	2,200,000	
(b) operating costs	1,000,000	
(c) vehicles and equipment	440,000	
(2) Part B of the Project:		71%
(a) consultants' services	1,860,000	
(b) vehicles, equipment and maintenance	350,000	

(3)	Goods and services for Part C of the Project	14,230,000	71%
(4)	Part D of the Project:		71%
	(a) civil works	29,280,000	
	(b) consultants' services	5,290,000	
	(c) vehicles and equipment	190,000	
(5)	Part E of the Project:		71%
	(a) Goods and services for Part E.1 of the Project	3,610,000	
	(b) Goods and services for Part E.2 of the Project	1,020,000	
(6)	Unallocated	6,530,000	
	Total	66,000,000	

2. For the purposes of this Schedule, the term "operating costs" means expenditures incurred under Part A of the Project for vehicle maintenance, for subsistence and transportation expenses of DCL staff during travel to municipalities, and for training sessions.

3. Notwithstanding the provisions of paragraph 1 above:

(a) no withdrawals shall be made in respect of payments made for expenditures: (i) prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$116,000, may be made in respect of Category (4) (b) on account of payments made for expenditures before that date but after March 1, 1989; (ii) under Category (1) until the UNDP Project Document has been signed among the Borrower, UNDP and ILO; and (iii) under Category (3) until the initial deposit referred to under Section 3.06 (a) of this Agreement has been made and the Circular has been published, satisfactory to the Bank; and

(b) no commitments shall be entered into to pay the Borrower or others after July 31, 1991 in respect of expenditures to be financed out of Category (3) until the mechanism referred to under Section 3.05 of this Agreement has been introduced.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in strengthening the technical and management capabilities of its municipalities, improve their financial situation through the mobilization of municipal resources and the establishment of a municipal credit fund, develop key infrastructure and stimulate economic activities in Project Municipalities.

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

Part A: Municipal Management

1. Establishment of a technical team in DCL composed of high-level Ivorian staff, field experts and an experienced technical assistance coordinator, to advise and assist municipal staff in their regular administrative and financial tasks, and in the setting up of the decentralization process, and acquisition of vehicles, equipment and logistical support to strengthen DCL.
2. Implementation of a training program to strengthen the professional skills of municipal technical and management staff within the decentralization framework.

Part B: Resource Mobilization

Increasing the resources generated by municipalities through:

1. Study, and implementation within a reasonable time frame, of measures to increase the yields from the land property tax and the business tax including measures to simplify billing and improve collection of said taxes, to be followed by the preparation of a fiscal cadastre in about 30 municipalities including those of the city of Abidjan.
2. Strengthening of DGI through staff training and acquisition of equipment to improve the billing and collection of the land property and business taxes.
3. Development of low-cost technologies in the design of urban roads, drainage systems, community facilities and municipal buildings.

Part C: Municipal Credit Fund (FPCL)

Establishment of a national fund to provide Sub-loans to Beneficiaries for:

1. Specific economically and socially justified Sub-projects, including, inter alia:
 - construction of storm water drainage systems, and construction or rehabilitation of streets;
 - construction or rehabilitation of markets, slaughterhouses and truck terminals;
 - construction or rehabilitation of schools, health centers and other social facilities equipments;
 - acquisition of equipment for garbage collection, street maintenance, and municipal garages; and
 - construction or rehabilitation of municipal facilities and administration buildings.
2. Specific investment project packages prepared in the framework of the PACs.

Part D: Development Program

1. Execution of PACs in Project Municipalities for primary infrastructure improvements, including storm water drainage improvements, primary and rural road improvements, and land development.
2. Mapping of the overall municipal area for about 40 cities and of the urbanized area for about 15 cities.
3. Planning studies for Project Municipalities including a simplified master plan of the municipal area, a drainage master plan of the urbanized area, and a priority action plan.
4. Studies of the economic flows between Project Municipalities and their rural hinterland.

5. Construction of a nursing and midwifery school in Korhogo and acquisition of equipment and vehicles therefor.

6. Preparation, study and supervision of civil works for Parts D.1 and D.5 of the Project.

Part E: Studies

1. Carrying out of a national demographic census, preparation of a human resources development program, survey on the social dimension of adjustment, and participation in the West African regional migration survey.

2. Preparation of urban and/or rural development projects in municipal areas to achieve stimulation of municipal economic activities with non-governmental organizations' assistance.

* * * * *

The Project is expected to be completed by June 30, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in Dollars)*
February 15, 1995	1,205,000
August 15, 1995	1,250,000
February 15, 1996	1,295,000
August 15, 1996	1,350,000
February 15, 1997	1,400,000
August 15, 1997	1,455,000
February 15, 1998	1,510,000
August 15, 1998	1,570,000
February 15, 1999	1,630,000
August 15, 1999	1,690,000
February 15, 2000	1,760,000
August 15, 2000	1,825,000
February 15, 2001	1,895,000
August 15, 2001	1,970,000
February 15, 2002	2,045,000
August 15, 2002	2,125,000
February 15, 2003	2,210,000
August 15, 2003	2,295,000
February 15, 2004	2,380,000
August 15, 2004	2,475,000
February 15, 2005	2,570,000
August 15, 2005	2,670,000
February 15, 2006	2,775,000
August 15, 2006	2,880,000
February 15, 2007	2,990,000
August 15, 2007	3,105,000
February 15, 2008	3,225,000
August 15, 2008	3,350,000
February 15, 2009	3,480,000
August 15, 2009	3,620,000

* The figures in this column represent Dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on

the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

Schedule 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with the procedures consistent with those set forth in Section I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable:

(a) contracts for goods shall be grouped in bid packages estimated to cost the equivalent of CFAF one hundred fifty million (CFAF 150,000,000) or more each; and

(b) contracts for works shall be grouped in bid packages estimated to cost the equivalent of CFAF three billion (CFAF 3,000,000,000) or more each.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Cote d'Ivoire may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Civil works estimated to cost less than the equivalent of CFAF three billion (CFAF 3,000,000,000) per contract, excluding the Borrower Value Added Tax (TVA), goods and materials estimated to cost less than the equivalent of CFAF one hundred fifty million (CFAF 150,000,000) per contract excluding TVA, may be procured under contracts awarded on the basis of local competitive bidding, in accordance with the provisions of paragraph 3.3 of the Guidelines, with local advertising for contracts for goods and

materials and, in addition, notification of diplomatic missions in Cote d'Ivoire in the case of contracts for works, all in accordance with procedures satisfactory to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for civil works estimated to cost the equivalent of CFAF five hundred million (CFAF 500,000,000) or more, excluding TVA, and each contract for goods and materials estimated to cost the equivalent of CFAF fifty million (CFAF 50,000,000) or more excluding TVA, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contracts are to be made out of the Special Accounts, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank prior to the making of the first payment out of the Special Accounts in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Accounts, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ, or cause to be employed, consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank.

Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Criteria for the selection of any
additional Project Municipality

Any additional Project Municipality shall be selected, inter alia, in accordance with the following criteria:

- balanced geographic repartition between the regions;
- urgent need of basic infrastructure and community facilities with respect to the Municipality and its rural demographic and economic potential of the Project hinterland;
- record on previous and planned urban investments by the Borrower or other sources;
- commitment of the Project Municipality to support the PAC, and in particular its resource mobilization component; and
- the Borrower's development strategy.

SCHEDULE 6

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (2) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for of Parts B through E of the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means: (i) an amount equivalent to \$4,000,000 to be withdrawn from the Loan Account and deposited into the Special Account opened for Parts B, D.1, D.5, and E of the Project; (ii) an amount equivalent to \$2,500,000 to be withdrawn and deposited into the Special Account opened for Part C of the Project; and (iii) an amount equivalent to \$1,000,000 to be withdrawn from the Loan Account and deposited into the Special Account opened for Parts D.2, D.3, D.4 and D.6 of the Project, pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of any Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish it shall be made as follows:

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

(b) (i) For replenishment of a Special Account, the Borrower shall furnish to the Bank requests for deposits into the relevant Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the relevant 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 made out of such Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of a Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into any Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories for the Project, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the relevant Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories for Parts B through D of the Project shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in a Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of a Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the relevant Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into a Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in a Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

