

CONFORMED COPY

IDA GRANT NUMBER H076 BU

Development Grant Agreement

(Emergency Demobilization, Reinsertion and Reintegration Project)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 2 , 2004

**CONFORMED COPY
IDA GRANT NUMBER H076 BU**

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated April 2, 2004, between REPUBLIC OF BURUNDI (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter, dated February 19, 2004 (Letter of Demobilization, Reinsertion, and Reintegration Program), from the Recipient describing a program of actions, objectives and policies designed to address the Emergency through the demobilization, reinsertion, and reintegration of a large number of Ex-Combatants (the Program) and declaring the Recipient's commitment to the execution of the Program;

(B) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement and which forms part of the Program, has requested the Association to assist in the financing of the Project; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Grant to the Recipient 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 October 6, 1999) (the General Conditions), with the modifications set forth in Schedule 6 to this Agreement, constitute an integral part of this Agreement.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings

(a) "African Mission in Burundi" or "AMIB" means the peacekeeping mission of the African Union in Burundi established under the terms of the ceasefire agreement of December 2, 2002 between the Recipient and the CNDD, and deployed in conformity with the decision of the meeting of the African Union in its 91st Ordinary Session on April 2, 2003;

(b) “Armed Political Party and Movement” or “APPM” means an organized armed group that engaged in military fighting between October 21, 1993 and November 16, 2003 against the armed forces of the Recipient in the territory of the Recipient;

(c) “Arusha Peace and Reconciliation Agreement” or “Arusha Agreement” means the agreement of August 28, 2000 among a number of Burundian political parties, which provided a political framework for the reform of state institutions and a return to democratic government in the territory of the Recipient;

(d) “Burundian Francs” or “BIF” means the currency of the Recipient;

(e) “*Combattants Militants*” means auxiliary units of the APPMs providing non-combatant services to the APPMs;

(f) “*Conseil National pour la Défense de la Démocratie*” or “CNDD” means the National Council for the Defense of Democracy, an opposition political movement using violent means until the signing of a comprehensive ceasefire agreement with the Recipient on November 16, 2003;

(g) “Demobilization and Reintegration Fund Account” or “DRFA” means the account in BIF to be established pursuant to Section 6.01 (b) of this Agreement in a commercial bank for the purpose of holding the local currency counterpart funds of the proceeds of the Grant allocated to Category (1) of the table in Schedule 1 to this Agreement and other Recipient counterpart contribution to the Project;

(h) “Demobilization Center” means a site temporarily utilized under the Program for purposes of demobilizing Combatants;

(i) “Deposit Account” means the account referred to in Part B.1 of Schedule 1 to this Agreement;

(j) “Eligible Categories” means Categories (2)-(5) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

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

(l) “Emergency” means the extraordinary event of limited duration which, for the purposes of this Agreement, started on November 16, 2003, and which was caused by the signature of a comprehensive cease-fire agreement between the Recipient, the CNDD, and the *Forces pour la Défense de la Démocratie* (as hereinafter defined);

(m) “Environmental Assessment” or “EA” means the evaluation of the Project’s potential environmental risks and impacts in its area of influence, to be

conducted by the Recipient in accordance with the provisions of Section II of Schedule 4 to this Agreement;

(n) “Environmental and Social Management Framework” or “ESMF” means the framework, in form and substance satisfactory to the Association, describing measures for the mitigation of the potential adverse environmental and social impact of the Project, as the same may be updated from time to time with the approval of the Association, to be prepared in accordance with the provisions of Section II of Schedule 4 to this Agreement;

(o) “Ex-Combatant” means: (i) any member of the armed forces of the Recipient to be demobilized after the date of this Agreement; or (iii) any member of an APPM who fulfills the criteria for combatant status, to be set out in the legislation to be enacted by the Recipient pursuant to Section 6.01 (c) of this Agreement, to be demobilized after the date of this Agreement;

(p) “Executive Secretariat” or “ES” means the Project implementation unit established by the Recipient as the executing body of the National Commission for Demobilization, Reinsertion, and Reintegration (as hereinafter defined) and whose role and functions are described in Paragraph 3 of Schedule 4 to this Agreement;

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

(r) “*Forces Armées Burundaises*” or “FAB” means the armed forces of the Recipient;

(s) “*Forces pour la Défense de la Démocratie*” or “FDD” means the Force for the Defense of Democracy, the military wing of the CNDD ;

(t) “Forces Technical Agreement” means the agreement of November 2, 2003 between the Recipient and the CNDD, which details the provisions for the integration of FAB, CNDD, and FDD combatants into the NDF and the national police;

(u) “*Gardiens de la Paix*” means the militia created by the Beneficiary to enhance security in conflict-affected areas;

(v) “Joint Ceasefire Commission” or “JCC” means the commission established under the terms of the Arusha Agreement of, and whose task it is to guide and observe implementation of the security aspects of the Agreement, and which is chaired by the United Nations and consists of the military leadership of the signatories of the Arusha Agreement and subsequent cease-fire agreements;

(w) “Joint Liaison Team” or “JLT” means a team established under the aegis of the JCC, comprising the AMIB, ES, and relevant parties of the JCC and assigned to a

specific Demobilization Center, and which monitors execution and implementation of disarmament and demobilization activities in accordance with the Joint Operations Plan (as hereinafter defined);

(x) “Joint Operations Plan” means a plan developed by the ES / NCDRR, AMIB, the United Nations Office for Burundi, UNICEF, and the MDRP Secretariat, outlining the procedures for the disarmament, verification, screening for military integration and demobilization of APPMs and the FABand specifying the roles and responsibilities of implementing partners during this process;

(y) “Manual of Financial and Accounting Procedures” or “MFAP” means the manual, in form and substance satisfactory to the Association, contained in the Project Implementation Manual (as hereinafter defined) and outlining the financial and accounting procedures, policies, and guidelines to be followed by the Recipient in Project implementation, as the same may be amended from time to time with the concurrence of the Association, and such term includes any schedules to the MFAP;

(z) “Multi-Country Demobilization and Reintegration Program Secretariat” or “MDRP Secretariat” means the secretariat which services the Multi-Country Demobilization and Reintegration Program Trust Fund and partnership coordination activities;

(aa) “National Commission for Demobilization, Reinsertion, and Reintegration” or “NCDRR” means the entity responsible for overall supervision of the Program, established by the Recipient and operating pursuant to Decrees No. 100/127 of August 28, 2003 and 100/180 of December 10, 2003, and whose role and functions are described in Paragraph 1 of Schedule 4 to this Agreement;

(bb) “National Defense Force” or “NDF” means the future armed forces of the Recipient, to be established following integration of Ex-Combatants from APPMs and the FAB into a new national armed force, in accordance with the Arusha Agreement and the Forces Technical Agreement;

(cc) “Project Implementation Manual” or “PIM” means the manual adopted by the Recipient pursuant to Section 6.01 (a) of this Agreement, and containing details of procurement and disbursement arrangements, arrangements for environmental and social monitoring and mitigation, a manual of financial procedures, and other administrative and organizational arrangements, as shall have been agreed with the Association for purposes of Project implementation, as the same may be amended from time to time, and such term includes any schedules to the PIM;

(dd) “Project Preparation Advance” means the project preparation advance granted by the Association to the Recipient pursuant to the Letter Agreement signed on behalf of the Association on June 12, 2003 and on behalf of the Recipient on June 14, 2003;

(ee) “Provincial Program Office” or “PPO” means the implementation arm of the ES / NCDRR at the provincial level, established by the Recipient in each of its provinces where Ex-Combatants will settle and whose role and functions are described in Paragraph 4 of Schedule 4 to this Agreement;

(ff) “Report-Based Disbursements” means the Recipient’s option for withdrawal for funds from the Grant Account referred to in Part A.6 of Schedule 1 to this Agreement;

(gg) “Special Account” means the account referred to in Part C.1 of Schedule 1 to this Agreement;

(hh) “Special Target Group” means a special group of Ex-Combatants that are provided targeted support for their medical rehabilitation or social and economic reintegration and comprises those who are children, female or disabled; and

(ii) “Transitional Subsistence Allowance” or “TSA” means cash payments made to Ex-Combatants under the Project for purposes of their reintegration into civilian life.

ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Grant in an amount in various currencies equivalent to twenty-two million two hundred thousand Special Drawing Rights (SDR 22,200,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant 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 the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Grant.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Recipient, withdraw from the Grant 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 un-withdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant, 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 Recipient from the Grant 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 2.04 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 Recipient; and (iii) in the currency specified in this Agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of Section 4.02 of the General Conditions.

Section 2.04. Commitment charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.05. The Closing Date of the Grant shall be December 31, 2008 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall carry out, through the ES / NCDRR, with due diligence and efficiency and in conformity with appropriate financial, technical, administrative, and military demobilization practices, and shall provide promptly as needed, the funds, facilities, services, and other resources required for the Project.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient 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 Recipient and the Association, a plan designed to ensure the continued achievement of the Project objective; and

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

Section 3.04. Without limitation to its obligations under Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall for purposes of making the counterpart contribution to the financing of the Project:

(a) establish and thereafter maintain, until completion of the Project, the DRFA; and

(b) promptly thereafter deposit in the DRFA the local currency counterpart funds of the proceeds of the Grant allocated to Category (1) of the table in paragraph 1 of Schedule 1 to this Agreement and ensure that all such funds shall be used exclusively to make payments for the demobilization, reinsertion, and reintegration of Ex-Combatants.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

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

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of the financial statements referred to in

paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

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

(c) For all expenditures with respect to which withdrawals from the Grant Account were Report-Based Disbursements or made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such reports or statements of expenditures are included in the annual audit referred to in paragraph (b) of this Section.

Section 4.02. Without limitation upon the Recipient's progress reporting obligations set out in Section III of Schedule 4 to this Agreement, the Recipient shall prepare, in accordance with terms of reference acceptable to the Association, and furnish to the Association an FMR, in form and substance satisfactory to the Association, which:

- (a) sets forth actual and projected sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Grant, and explains variances between the actual and projected sources and uses of such funds;
- (b) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the previously forecast and actual implementation targets; and

- (c) 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 events are specified:

- (a) an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out;
- (b) funds deposited in the DRFA pursuant to this Agreement have been used for purposes other than those stated in Section 3.03 (b) and (d) of this Agreement; and
- (c) demobilization of the NDF has not commenced by June 30, 2006.

ARTICLE VI

Effective Date; Termination

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

- (a) the PIM, including the MFAP, in form and substance satisfactory to the Association, has been adopted by the NCDRR;
- (b) the DRFA has been established by the Recipient;
- (c) legislation, in form and substance satisfactory to the Association, setting out the definition of and criteria for Ex-Combatant status as well as the rank distribution to be applied during the demobilization process under the Program, has been adopted by the Recipient; and

(d) legislation, in form and substance satisfactory to the Association, setting out criteria for status as a member of *Gardiens de la Paix* and *Combattants Militants*, to be applied under the Program, has been adopted by the Recipient.

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.

Section 6.03. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of the Recipient responsible for Finance is designated as representative of the Recipient 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 Recipient:

Ministry of Finance
Bujumbura
Burundi

Facsimile: (257) 223 827

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

Facsimile:

(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 BURUNDI

By /s/ Antoine Ntamobwa

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Emmanuel Mbi

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

A. General

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

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Eligible imports to be financed under the Project as specified in Annex A to this Schedule		100% of foreign expenditures
(a) Tranche One	6,700,000	
(b) Tranche Two	6,700,000	
(c) Tranche Three	4,100,000	
(2) Civil works	670,000	100%
(3) Vehicles, furniture, equipment and materials	670,000	100%
(4) Consultants' services (including audits) and training	1,350,000	100%
(5) Incremental operating costs	670,000	100%
(6) Refunding of the Project Preparation Advance	400,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(7) Unallocated	940,000	
	<hr/>	
TOTAL	<u>22,200,000</u>	

2. For the purposes of this Schedule:

(a) “Foreign expenditures” means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient; and

(b) “Incremental operating costs” means the incremental expenses incurred by the ES / NCDRR on account of Project implementation, management and monitoring, including office space rental and utilities, office supplies, bank charges, communications, vehicle operation, maintenance and insurance, building and equipment maintenance costs, travel and supervision costs, and salaries of supporting staff, but excluding salaries of officials of the Recipient’s civil service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures under Category (1) of the table in Part A.1 of this Schedule prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 4,440,000, may be made on account of payments made for Eligible Expenditures before that date but after December 31, 2003; and

(b) payments made for expenditures under Category (1) (b) and (c) of the table in Part A.1 of this Schedule, unless the Program is being implemented in a manner satisfactory to the Association and the Recipient has furnished to the Association the following information:

- (i) an implementation plan and resource requirements for the subsequent six-month period;
- (ii) beneficiary survey findings, confirming that at least 95% of Ex-Combatants have received Transitional Subsistence Allowance payments due them from previous installments within ninety (90) days of the scheduled payment date; and
- (iii) a list of Ex-Combatants, identifying the amount of the funds allocated to each in support of their reinsertion and reintegration.

4. It is understood that the percentages in the table in Part A.1 of this Schedule have been calculated on the basis of the provisions in the letter from the Recipient’s Minister of Finance to the Association, dated February 20, 2004, which exempt the goods, services and works to be financed under the Project from taxes and customs duties levied by the Recipient. If any change is made to said letter which has the effect of levying taxes or

customs duties on such goods, services or works, the percentages referred to above shall be decreased in accordance with the provisions of Section 5.08 of the General Conditions.

5. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) imports under contracts costing less than \$2,000,000 equivalent each; (b) goods under contracts costing less than \$150,000 equivalent each; (c) works under contracts costing less than \$200,000 equivalent each; (d) services of consulting firms under contracts costing less than \$100,000 equivalent each; (e) services of individual consultants under contracts costing less than \$50,000 equivalent each; (f) training not subject to contract; and (g) incremental operating costs, all under such terms and conditions as the Association shall specify by notice to the Recipient.

6. The Recipient may request withdrawals from the Grant 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 Recipient (Report-Based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Grant Account, the Recipient 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. Deposit Account

1. The Recipient shall, prior to furnishing to the Association the first request for withdrawal under Category (1) of the table in Part A.1 of this Schedule, open and maintain in US Dollars a Deposit Account in its Central Bank on terms and conditions satisfactory to the Association. All withdrawals for this Category shall be deposited by the Association into the Deposit Account.

C. Special Account

1. The Recipient may, for the purposes of Categories (2)-(5) of the table in Part A.1 of this Schedule, open and maintain in US Dollars a special deposit account in a commercial bank, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment.

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

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

(b) if the Recipient is making Report-Based Disbursements, withdrawals shall be made in accordance with the provisions of Annex C to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the Special Account, the Recipient 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.4 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 Recipient directly from the Grant Account; or

(c) if the Recipient 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.

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 Recipient of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Grant 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 Recipient 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 Recipient 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 Recipient 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 Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Recipient 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 Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

**Annex A
to
SCHEDULE 1**

Classes of Eligible Imports to be Financed under the Project

1. Agricultural equipment and inputs;
2. Petroleum and fuel products;
3. Construction materials;
4. Transport vehicles and spare parts;
5. Livestock, animal products and veterinary supplies;
6. School supplies and equipment;
7. Medical supplies and equipment;
8. Construction equipment, industrial machinery and spare parts;
9. Electrical equipment, machinery, materials and parts; and
10. Industrial raw materials and chemicals.

**Annex B
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 \$450,000 equivalent to be withdrawn from the Grant 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 \$225,000 until the aggregate amount of withdrawals from the Grant 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 450,000.

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 Recipient 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 Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested.

(b) For replenishment of the Special Account, the Recipient 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 Recipient shall furnish to the Association the documents and other evidence required pursuant to Part C.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 Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient 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 Grant 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 un-withdrawn amount of the Grant 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 Grant Account of the remaining un-withdrawn amount of the Grant shall follow such procedures as the Association shall

specify by notice to the Recipient. 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 C
to
SCHEDULE 1**

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

1. Withdrawals from the Grant 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 Grant Account under one or more of the Eligible Categories.
2. Upon receipt of each application for withdrawal of an amount of the Grant, the Association shall, on behalf of the Recipient, withdraw from the Grant 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.6 of this Schedule 1 applicable to such withdrawal application accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.
3. The Association shall not be required to make further deposits into the Special Account, once the total un-withdrawn amount of the Grant 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 Grant Account of the remaining un-withdrawn amount of the Grant shall follow such procedures as the Association shall specify by notice to the Recipient. 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.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Recipient in creating long-term sustainable social development and supporting macroeconomic stability in its territory through the: (i) demobilization of approximately 55,000 Ex-Combatants from the FAB, APPMs, and the NDF, up to 20,000 members of *Gardiens de la Paix*, and up to 10,000 members of *Combattants Militants*, while providing support for their reinsertion and social and economic reintegration; and (ii) contribution to reallocation of Recipient's resulting budget savings from defense to social and economic sectors.

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

A. Demobilization, Reinsertion and Reintegration

Importation of goods specified in Annex A to Schedule 1 to this Agreement to support demobilization, reinsertion and reintegration of Ex-Combatants, including Special Target Groups.

B. Institutional Development and Project Implementation Support

1. Strengthening the capacity of the Recipient's institutions at the central and local level to carry out and support activities under the Project through the provision of training and technical advisory services, and acquisition of vehicles and equipment.
2. Carrying out of: (i) selected studies, including in relation to development of a pre-demobilization orientation program and a community sensitization and participation program; and (ii) financial audits, monitoring, and external evaluations of the Project.
3. (i) Rehabilitation of Demobilization Centers as needed, and of medical facilities in accordance with the settlement patterns of Ex-Combatants; (ii) acquisition of medical and other equipment, drugs and prostheses to support the reintegration of disabled Ex-Combatants; and (iii) acquisition of HIV / AIDS prevention and protection tools and test kits.

* * *

The Project is expected to be completed by June 30, 2008.

SCHEDULE 3

Procurement and Consultants' Services

I. Procurement of Good and Works

A. General

Goods and works shall be procured in accordance with: (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section.

B. International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

C. Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines; and

(b) Works estimated to cost more than \$100,000 equivalent per contract and less than \$500,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Drugs, reagents, medical equipment and other such goods estimated to cost less than \$150,000 equivalent per contract may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Commercial Practices

Goods imported by the private sector under Category (1) of the table in Schedule 1 to this Agreement estimated to cost less than \$2,000,000 equivalent per contract may be procured in accordance with established commercial practices satisfactory to the Association.

4. Direct contracting

Goods which must be purchased from the original supplier of existing equipment in order to be compatible with such equipment, or which are of a proprietary nature, such as CD4 cell count and HIV/ AIDS testing reagents, up to an aggregate amount not exceeding \$100,000, may be procured, with the Association's prior agreement, from a particular manufacturer or an authorized local supplier in accordance with the provisions of paragraph 3.7 of the Guidelines.

5. Procurement from UN Agencies

Goods, including vehicles, motorcycles, computers, drugs and medical supplies, up to an aggregate amount not exceeding \$200,000, may be procured through the IAPSO, UNFPA, UNICEF, and WHO, in accordance with the provisions of paragraph 3.9 of the Guidelines.

6. Procurement of Small Works

Works estimated to cost less than \$100,000 equivalent per contract may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

D. Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed semi-annual procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for goods estimated to cost \$150,000 equivalent or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply; and

(b) With respect to each contract for works estimated to cost \$200,000 equivalent or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

II. Employment of Consultants

A. General

Consultants' services shall be procured in accordance with: (a) the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Recipients" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto; and (b) the following provisions of this Section.

B. Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

C. Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for financial audits and external evaluations estimated to cost less than \$75,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services of consulting firms 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 and 3.7 of the Consultant Guidelines.

3. UN Agencies

Technical advisory services may be procured under contracts with UN agencies in accordance with the provisions of paragraph 3.13 of the Consultant Guidelines.

4. Single Source Selection

Technical advisory services may, with the Association's prior agreement, be procured under contracts with UN agencies in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

5. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines;

D. Review by the Association of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

I. Project Coordination and Management

1. The Recipient shall maintain at all times during the implementation of the Project the NCDRR in form and substance satisfactory to the Association. The NCDRR, headed by the President of the Recipient, shall be responsible for overall coordination, management and implementation of the Project. It is charged with: (i) formulating Ex-Combatant demobilization, reinsertion and socio-economic reintegration policy; (ii) launching initiatives as needed to ensure a smooth transition of Ex-Combatants to civilian life; (iii) supervising and monitoring the functioning and ES implementation of the Program; and (iv) ensuring policy and strategic coordination of the Program.

2. The NCDRR shall be supported at the central level by an ES which shall report to the Office of the President and which shall be headed by an Executive Secretary who shall report to the NCDRR. The ES shall be assisted by three advisors, each of whom shall be responsible for operations, finance and administration, and information management, respectively, and three directors, each of whom shall be responsible for operations, finance and administration, and information management, respectively. The ES shall maintain at all times during the implementation of the Project the following three departments with staff recruited through a competitive process and with terms of reference satisfactory to the Association: operations, finance and administration, and information management. The Executive Secretary shall be assisted by a Director of Operations, an Operations Advisor, a Director of Finance and Administration under whose control an accounting unit shall be created, a Procurement Specialist, a Director for Information and Sensitization, an Information and Sensitization Advisor, and a General Advisor.

3. The ES shall be responsible for: (i) the preparation and costing of detailed annual implementation plans for the Program; (ii) the implementation and coordination of individual Program components, and to this end shall work in close collaboration with the relevant Recipient agencies as well as local organizations and associations, the private sector, and UN agencies; (iii) the transparent and accountable administration of the Program, including procurement and financial management; (iv) monitoring and evaluation of Program implementation progress and impact; and (v) coordination with international donor agencies.

4. The ES / NCDRR shall be represented in each province of the Recipient by a PPO which shall report to the ES / NCDRR and whose staff shall be recruited in accordance with the settlement patterns of Ex-Combatants. The PPOs shall have the following responsibilities: (i) updating the inventory of projects and training and employment providers; (ii) conducting outreach activities, including counseling and referral, and providing support to income-generating activities; (iii) managing the work of

Ex-Combatants recruited in accordance with the settlement patterns of Ex-Combatants to carry out sensitization activities; (iv) technical and financial monitoring of reintegration activities, especially at the community level; and (v) liaising with Recipient institutions at the local level, non-governmental institutions, and other reconstruction bodies.

5. The ES / NCDRR shall recruit and train an Ex-Combatant in accordance with the settlement patterns of Ex-Combatants to carry out sensitization activities. This Ex-Combatant shall serve as the link between the Program and the Ex-Combatant at the community level and be responsible for activities such as the following: (i) the decentralized provision of Program information to Ex-Combatants; (ii) advocacy of Ex-Combatant access to local-community-based development and reconstruction activities; (iii) facilitation of monitoring and evaluation data collection; and (iv) identification of major reintegration bottlenecks and conflicts, and their referral to the respective PPO.

6. The Recipient shall carry out the Project in accordance with the PIM, and shall not amend or waive any provision thereof which in the opinion of the Association shall materially or adversely impact the implementation of the Project. The PIM shall specify the detailed rules and processes for demobilization, including identification and screening of Ex-Combatants; the criteria, procedures and terms and conditions of reinsertion and reintegration assistance to Ex-Combatants; verification of assistance packages; and flow of funds to Ex-Combatants and verification of the use of such funds by Ex-Combatants for the intended purposes.

7. The Recipient shall, no later than within six months of the Effectiveness Date, and annually thereafter or upon the request of the Association, furnish to the Association: (i) verification that a statistically representative sample of Ex-Combatants have received their TSA payments in accordance with the annual work program and budget of the Project; and (ii) information on the purposes for which the TSA payments were utilized by the sample of Ex-Combatants as well as the income-generation and social status of such sample of Ex-Combatants.

II. Safeguard Policies

The Recipient shall, no later than six (6) months of the Effectiveness Date, prepare the ESMF, in form and substance satisfactory to the Association, and, subsequently, Subproject-specific EAs, in form and substance satisfactory to the Association, as needed. The Recipient shall ensure that the Project is implemented in accordance with the provisions of the aforementioned, and except as the Association shall otherwise agree, the Recipient shall not amend or waive any provision of the aforementioned, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

III. Monitoring and Evaluation

1. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, 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 September 30 in each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, 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 October 31 in each year, 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.

2. Without limitation upon the Recipient's obligations with respect to auditing of Project accounts set forth in Section 4.01 (b) of this Agreement, the Recipient shall carry out a financial and technical audit of the records and accounts for the Deposit Account and the DRFA within six (6) months of each tranche release.

3. The Recipient shall carry out no later than December 31 every year an external evaluation of the implementation of the Project, including an analysis of environmental and social monitoring indicators, under terms of reference satisfactory to the Association, and communicate to the Association the results of such evaluation.

SCHEDULE 5

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Sections 3.02, 3.03, 3.04 (a), 3.04 (b), 3.05, 6.05, Article VII, are deleted in their entirety.
2. Wherever used in the General Conditions, the following terms are modified to read as follows:
 - (a) The term “Borrower” is modified to read “Recipient”;
 - (b) The term “Credit” is modified to read “Grant”;
 - (c) The term “credit” is modified to read “grant”; except that where used in Sections 6.02 (a) (ii) and 6.02 (c) (i), as modified below, the term “credit” shall continue to read “credit”;
 - (d) The term “Credit Account” is modified to read “Grant Account”; and
 - (e) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.
3. Article IV is modified as follows:
 - (a) Section 4.02 (a) and the heading of Section 4.02 are modified to read as follows:

“*Section 4.02 Currencies in which Commitment Charges are Payable*”

 - (i) The Recipient shall pay the commitment charge on the Grant in the currency specified in the Development Grant Agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”
 - (i) Wherever used in Section 4.02(c) and (e) of the General Conditions the words “principal and service charges” are modified to read “commitment charge”.

- (a) Section 4.03 and its heading are modified to read as follows:

“Section 4.03. Amount of the Grant

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”

4. Section 6.02 is modified as follows:

- (a) The phrase “any other development credit agreement” in Section 6.02 (a) (ii) is modified to read: “any other development grant agreement or any development credit agreement or development financing agreement”.
- (b) The phrase “any development credit agreement” in Section 6.02 (c) (i) is modified to read: “any development grant agreement, development credit agreement or development financing agreement”.

5. The words “The principal of, and any other charges on” in paragraph (a) of Section 8.01 are modified to read “The commitment charge on”.

6. Paragraph (c) of Section 9.06 is modified to read as follows:

“(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Association, the Recipient shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Recipient and the Association of their respective obligations under the Development Grant Agreement and the accomplishment of the purposes of the Grant.”

7. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. Termination of Development Grant Agreement.

The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”

SCHEDULE 7

Performance Indicators

1. At least 14,000 Ex-Combatants are demobilized annually;
2. Each demobilized Ex-Combatant has received his / her TSA payment within thirty (30) days of scheduled payment dates;
3. Ex-Combatants have access to reintegration assistance within nine (9) months of their demobilization;
4. Average income levels of Ex-Combatants are similar to average income levels in their communities of settlement within twenty-four (24) months of the Ex-Combatants' demobilization;
5. An external evaluation of the implementation of the Project is carried out annually in accordance with Section III.3 of Schedule 4 to this Agreement and includes an analysis of environmental and social monitoring indicators; and
6. Recurrent expenditures on defense are a maximum of FBU 49.4 billion in 2005, FBU 36.1 billion in 2006 and FBU 23.8 billion in 2007. At the same time, expenditures on health and education combined increase by FBU 6.7 billion in 2006 and FBU 19 billion in 2007.