

CONFORMED COPY

CREDIT NUMBER 3638 COB

Development Credit Agreement

**(Emergency Infrastructure Rehabilitation and
Living Conditions Improvement Project)**

between

REPUBLIC OF CONGO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 10, 2002

CREDIT NUMBER 3638 COB

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 10, 2002, between REPUBLIC OF CONGO (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received from the Borrower a letter dated March 12, 2002, describing a program of actions to address the Emergency (as hereinafter defined) (the Program) and declaring therein the Borrower's commitment to the execution of the Program;

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999) (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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "BEAC" means *Banque Centrale des Etats d'Afrique Centrale*, the sub-regional central bank for Central African states using the FCFA (as hereinafter defined) as their common currency;

(b) "Emergency" means the extraordinary event of limited duration which, for the purposes of this Agreement, started in June 1997, and which was caused by the internal armed conflict which culminated in the signing of a cease fire and cessation of hostilities agreement in December 1999;

(c) "FCFA" means *Franc de la Coopération Financière Africaine*, the currency of the Borrower;

(d) "Financial Monitoring Report" and "FMR" mean each report prepared in accordance with Section 4.02 of this Agreement;

(e) "Fiscal Year" and "FY" mean the Borrower's fiscal year, commencing January 1

and ending December 31, twelve calendar months thereafter;

(f) “HIV/AIDS” means Humane Immunodeficiency Virus/Acquired Immune Deficiency Syndrome;

(g) “IEC” means information Education and Communication;

(h) “ILO” means International Labor Organization, a United Nations Organization;

(i) “MIS” means the computerized Management Information System to be established under the Project for the monitoring of the implementation thereof;

(j) “METPCUHRF” means *Ministère de l'équipement, des travaux publics, de la construction, de l'urbanisme, de l'habitat, chargé de la réforme foncière*, the Borrower's ministry of equipment, public works, construction, town planning, housing and land reform;

(k) “MOB” means the technical services of the municipality of *Brazzaville*, an administrative subdivision of the Borrower's territory;

(l) “National Program for HIV/AIDS Prevention” means the Borrower's strategy and action plan adopted by law (*Arrêté*) No. 6480/MSAS/CAB, dated November 4, 1998, which sets forth the Borrower's proposed priority actions in the fight against, and the prevention of HIV/AIDS in its territory;

(m) “NGO” means a non-governmental organization, established and operating under the Borrower's laws;

(n) “Project Implementation Manual” and “PIM” mean the manual referred to in Section 6.01 (a) of this Agreement consisting of different modules setting forth, *inter alia*: (i) the administrative, financial and accounting, procurement, and disbursement procedures; and (iii) other activities and arrangements to be used for the purpose of implementing the Project, as the same may be amended from time to time, and such term includes any schedules to the Project Implementation Manual;

(o) “PIU” means the Project Implementation Unit, established under the Project for the management and monitoring of Project activities;

(p) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on January 24, 2002 and on behalf of the Borrower on February 6, 2002;

(q) “Project Steering Committee” and “PST” mean the committee composed of representatives of selected ministries of the Borrower, civil society, NGOs and the private sector, and responsible for the oversight of Project implementation;

(r) “Resettlement Framework” means the framework prepared by the Borrower and furnished to the Association not later than 6 months after the Effective Date for the resettlement and compensation by the Borrower of people internally displaced on account of Project

implementation; and

(s) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirty-two million two hundred thousand Special Drawing Rights (SDR 32,200,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in FCFA 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. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

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

Section 2.03. The Closing Date shall be January 31, 2007 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on July 15 and January 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each July 15 and January 15 commencing July 15, 2012 and ending January 15, 2042. Each installment to and including the installment payable on January 15, 2022 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate engineering, financial, administrative, and public utility practices, and with due regard for environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.02. 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 Credit 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 Borrower shall:

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management and accounting 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 Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, 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 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

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

- (i) maintain or cause to be maintained, 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 Credit 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 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 Financial Monitoring reports and statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 6 (a), (b) and (c) of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and thereafter not later than 45 days after each calendar quarter, a Financial Monitoring Report for such period, in form and substance satisfactory to the Association, which:

- (i) 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 Credit, and explains variances between the projected and actual sources and uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the previously forecast and

actual implementation targets; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

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

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

ARTICLE VI

Effective Date; Termination

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

(a) the Borrower has adopted the Project Implementation Manual in form and substance satisfactory to the Association; and

(b) the Borrower has furnished to the Association the procurement plan for the first year of Project implementation, satisfactory to the Association.

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

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower responsible for 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, Finance and Budget
BP 2083
Brazzaville
Republic of Congo

Facsimile:

(242) 81-41-45

For the Association:

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

Cable address:

Telex:

Facsimile:

INDEVAS

Washington, D.C.

248423 (MCI) or

64145 (MCI)

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF CONGO

By /s/ Rigobert Roger Andely

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Theodore O. Ahlers

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	15,900,000	100%
(2) Goods and equipment	11,000,000	100%
(3) Consultants' services, and training	2,600,000	100%
(4) Operating costs	270,000	100%
(5) Refunding of Project Preparation Advance	830,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	1,600,000	
TOTAL	32,200,000	

2. For the purposes of this Schedule the term "operating costs" means the incremental expenses incurred on account of Project implementation, management and monitoring, including financial audits, office equipment and supplies, vehicle operation and maintenance costs, communication and insurance costs, office administration costs, Special Account banking charges, utilities, travel, per diem and supervision costs, but excluding salaries of officials of the Borrower's civil service.

3. For purposes of this Agreement, it is understood between the Borrower and the Association that the percentages of expenditures to be financed under the table set forth in paragraph 1 of this Schedule have been calculated on the basis of the provisions of a letter (*arrêté ministériel*) from the Minister of Finance of the Borrower which provides for an exemption of

taxes and custom duties levied in the territory of the Borrower on works, goods and services for this Project. In the event of any change made to said letter which has the effect of levying taxes or customs duties on such works, goods and services, the percentages referred to above shall be decreased in accordance with the provisions of Section 5.08 of the General Conditions.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

5. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods and works under contracts costing respectively \$100,000 and \$400,000 equivalent each or less, and for services under contracts for services and training costing less than \$100,000 equivalent each for consulting firms and \$50,000 equivalent each for individual consultants, and for operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in reestablishing basic economic activities and social services through the rehabilitation of the railway system, primary, secondary and urban roads, drainage systems and school facilities.

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

Part A: Rehabilitation of Primary and Secondary Road Infrastructure and Drainage System

Rehabilitation of:

1. about 190 kilometers (km) of roads in the primary inter-urban road network in the *Pool, Bouenza and Plateaux* regions of the Borrower's territory; and
2. about 15 km of primary roads in *Brazzaville*, the Borrower's capital;

Part B: Employment Generation

Creating employment opportunities for disadvantaged segments of the Borrower's population, including youth and demobilized combatants through the design, preparation, implementation and monitoring of:

1. the rehabilitation of about 124 classrooms in 13 primary schools in *Brazzaville*, and acquisition of related furniture;
2. the preservation and protection of about 12,000 square meters (m²) of eroded sites in *Brazzaville*, including road, sanitary and water infrastructure; and
3. the construction and rehabilitation of (a) about 290 km of rural roads in the *Pool, Bouenza and Plateaux* regions of the Borrower's territory, (b) about 10 km of tertiary paved roads

in *Brazzaville*, and (c) about 7 km of tertiary drainage.

Part C: Railway Rehabilitation

1. Strengthening the safety of train movements and improving railway transport through:
 - (a) the improvement of the radio-telecommunication network between stations and trains;
 - (b) the rehabilitation of the electrical system;
 - (c) the rehabilitation of the railway line system; and
 - (d) the improvement of technical security conditions, including in the *Mayombe* tunnel.

2. Developing transport capacity of the railway system through:
 - (a) partial rehabilitation of the railway line; and

 - (b) the acquisition of equipment and goods, including: (i) spare parts for the engines, freight wagons and passenger coaches; (ii) railway materials and appliances; and (iii) maintenance equipment.

Part D: HIV/AIDS Awareness

Supporting the implementation of the Borrower's National Program against HIV/AIDS through:

1. the carrying out of nationwide IEC campaigns on HIV/AIDS with emphasis on school facilities and worksites, and along rehabilitated road and railway infrastructure and facilities;

2. the construction of two testing centers in *Brazzaville* and acquisition of related testing materials and medical equipment and supplies; and

3. building capacity in, and providing support to the Municipality of *Brazzaville* and selected NGOs for the carrying out of HIV/AIDS related activities, including awareness and sensitization campaigns.

Part E: Institutional Strengthening and Capacity Building

Strengthening the operations of METPCUHRF and the Municipality of *Brazzaville* for Project implementation purposes, through:

1. support for: (a) the operations of the PIU, METPCUHRF, and the Municipality of *Brazzaville*, including the acquisition of hardware and software equipment for the discharge of

relevant duties and respective activities under the Project;

2. development of a monitoring and information system for the monitoring of Project implementation; and
3. provision of technical advisory services to MOPWE for the updating of road databases and the organization of training programs and delivery in design and implementation of labor intensive public works for selected private sector contractors;
4. the organization and carrying out of training programs and capacity building activities (i) in road maintenance planning, procurement, administration and monitoring of labor intensive public works for the staff of MOPWE, and (ii) in urban road maintenance planning, procurement, monitoring of drainage and road maintenance activities and contractors' performance for the staff of MOB.

* * *

The Project is expected to be completed by July 31, 2006.

SCHEDULE 3

Procurement

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with 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).

Part 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.
2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods and works shall be grouped in bid packages estimated to cost respectively \$100,000 and \$400,000 equivalent or more each.

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by

domestic contractors.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods and works estimated to cost respectively less than \$100,000 and \$400,000 equivalent per contract, up to an aggregate amount not to exceed respectively \$480,000 and \$9,220,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National or International Shopping

Goods, in the nature of, *inter alia*: (a) office equipment and furniture, and educational material in support of HIV/AIDS activities, estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$360,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures, and in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines; and (b) specialized medical equipment, laboratory material and railway equipment, estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$555,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures, all in accordance with the relevant provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct contracting

Spare parts and subcomponents for railway rolling stock which must be purchased from the original supplier to be compatible with existing equipment and estimated to cost an aggregate amount not to exceed \$440,000 equivalent, may be procured under contracts awarded in accordance with provisions of paragraph 3.7 of the guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed 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: (i) each contract estimated to cost the equivalent of \$100,000 or more for goods and \$400,000 or more for works, and (ii) the first 3 contracts procured under national competitive bidding, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract estimated to cost the equivalent of \$30,000 or less, the following procedures shall apply:

- (i) prior to the execution of the first 3 contracts under national shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under international shopping procedures or direct contracting, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) 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.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines).

Part 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, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions 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 \$50,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for financial audits estimated to cost less than \$50,000 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 of UN Agencies as Consultants

Services for training and supervision, and assistance to local contractors in the preparation

and implementation of labor-intensive public works estimated to cost US\$90,000 or less, may be procured from ILO in accordance with the provisions of paragraph 3.13 of the Consultant guidelines.

3. Individual Consultants

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

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection 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 the employment of consulting firms estimated to cost the equivalent of \$100,000 or more and any amendment to an existing contract raising the value of such contract to \$100,000 equivalent or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) 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 and any amendment to an existing contract raising the value of such contract to \$50,000 equivalent or more, 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.

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

Institutional arrangements

1. The Borrower shall establish not later than July 31, 2002, and thereafter maintain at all times during Project implementation, the PIU:

(a) to be responsible for the management and implementation of Project activities, including financial management thereof,

(b) with staff having qualifications, experience and under terms of reference, including provisions on corrupt practices, satisfactory to the Association, including, *inter alia*, a Project Coordinator, a Chief Financial Officer, two Technical specialists, a Communication and Information Specialist and a Procurement Specialist; and

(c) under the administrative authority of the MOPWE, and subject to the oversight of the Project Steering Committee, both of which it will report to quarterly.

2. The Borrower shall maintain at all times during Project implementation, the Project Steering Committee, consisting of representatives of (i) METPCUHRF, the ministries of finance, employment, youth, environment, agriculture, interior, and the High Commission for Demobilization, (ii) the Municipality of *Brazzaville*, (iii) NGOs and (iv) the private sector.

Execution covenants

3. The Borrower shall not amend, repeal or abrogate decree No 2002-146 dated February 16, 2002 which exempts the Borrower from having to comply with national procurement procedures, in a way that, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

4. The Borrower shall, at a date not later than September 30, 2002 carry out a Project launch workshop.

5. The Borrower shall carry out annual technical audits of the Project.

Reviews

6. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about January 31, April 30, July 31 and, November 30, in each Fiscal Year, a report integrating the results of the monitoring and evaluation activities, including procurement 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 February 28, May 31, August 31 and, December 31, in each Fiscal 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.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 through 4 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 the Project and to be financed out of the proceeds of the Credit 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 an amount equivalent to FCFA 2,000,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to FCFA 1,000,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 10,000,000.

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

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

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

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to 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 Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special

Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit 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 the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

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

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the 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 Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) 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 or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding

in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

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

SCHEDULE 6

Performance Indicators

Unless otherwise agreed to by the Association, the performance indicators to be used for Project implementation are as follows:

1. At end of 2003, 50% increase in tonnage of merchandise transported by the railways line from *Pointe Noire* to *Brazzaville*, compared to 2001
 2. 15 kilometers of urban roads rehabilitated
 3. 480 kilometers of interurban and rural roads rehabilitated and 7 kilometers of urban drainage rehabilitated
 4. 750,000 person/day of employment generated
 5. Amount of civil works contracts implemented by local contractors as main contractors (US\$6 million equivalent)
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