

CONFORMED COPY

CREDIT NUMBER 3852 BU

Development Credit Agreement

(Economic Management Support Project)

between

BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 4, 2004

CREDIT NUMBER 3852 BU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 4, 2004, between REPUBLIC OF BURUNDI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower, dated November 10, 2003, describing a program designed to improve public macroeconomic forecasting, public financial management and utilization of public resources (the Program);

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

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) "*Commission Finances de l'Assemblée Nationale*" means the parliamentary body responsible for preparation of the national budget;

(b) "*Cour des Comptes*" means the institution responsible for reviewing the reports of the Ministry of Finance on budget execution, carrying out any investigation thereof as needed, and reporting on its review and any investigation to Parliament;

(c) "Eligible Categories" means Categories (1), (3), and (5) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

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

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

(f) “Fiscal Year” (FY) means the Borrower’s fiscal year, which runs from January 1 to December 31;

(g) “Implementing Agency” means the sector ministry responsible for implementation of each of Parts A-D of the Project, as set out in Paragraph 1 of Schedule 4 to this Agreement;

(h) “*Inspection Générale des Finances*” means the institution responsible for the ex-ante and ex-post review of the national budget execution;

(i) “*Inspection Générale de l’Etat*” means the institution responsible for conducting an audit of the administrative and financial management of the public sector;

(j) “ISTEEBU” means Institut National des Statistiques et d’Etudes Economiques;

(k) “Manual of Financial and Accounting Procedures” means the manual referred to in Paragraph 7 of Schedule 4 to this Agreement and outlining the financial and accounting policies, procedures and guidelines which shall be followed by the Borrower in the operation of the Project, as the same may be amended from time to time with the concurrence of the Association, and such term includes any schedules to the Manual of Financial and Accounting Procedures;

(l) “Project Account” means the account referred to in Section 3.04 of this Agreement;

(m) “Project Coordination Unit” (PCU) means the unit established within the Ministry of Finance in accordance with Paragraph 2 of Schedule 4 to this Agreement for purposes of overall management of the Project;

(n) “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 21, 2004 and on behalf of the Borrower on January 30, 2004;

(o) “Project Operational Manual” (POM) means the manual referred to in Paragraph 6 of Schedule 4 to this Agreement and outlining the administrative, technical and organizational policies, procedures and guidelines which shall be followed by the Borrower in the operation of the Project, as the same may be amended from time to time

with the concurrence of the Association, and such term includes any schedules to the POM;

(p) "Project Steering Committee" (PSC) means the policy-making body established in accordance with the provisions of Paragraph 2 of Schedule 4 to this Agreement for purposes of overall oversight of the Project;

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

(r) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement; and

(s) "Technical Committee" (TC) means the body established in accordance with the provisions of Paragraph 2 of Schedule 4 to this Agreement for purposes of providing technical follow-up of the implementation of the Project.

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 eighteen million one hundred thousand Special Drawing Rights (SDR 18,100,000).

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

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

Section 2.03. The Closing Date shall be July 31, 2009 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 January 15 and July 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 January 15 and July 15 commencing July 15, 2014, and ending January 15, 2044. Each installment to and including the installment payable on January 15, 2024 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 Association shall consider the Borrower creditworthy for Association 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 United States of America 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, through its Ministry of Finance, with due diligence and efficiency and in conformity with appropriate administrative and financial 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 continued achievement of the Project's objectives; and

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

Section 3.04. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Association shall otherwise agree, the Borrower shall for purposes of making the counterpart contribution to the financing of the Project:

(a) open and thereafter maintain in Burundi Francs, until completion of the Project, a project account in a commercial bank under terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment;

(b) deposit into the Project Account an initial amount equivalent to fifty million Burundi Francs (BIF 50,000,000);

(c) at quarterly intervals, replenish the Project Account by amounts required to finance the Borrower's contribution for expenditures under the Project as shall be agreed upon between the Borrower and the Association; and

(d) ensure that the funds deposited into the Project Account in accordance with Paragraph (b) of this Section shall be used exclusively to finance expenditures under the Project.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower 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 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 (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 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 Report-based Disbursements or were made on the basis of statements of expenditures, the Borrower 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 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 reports or statements of expenditures are included in the annual audit referred to in paragraph (b) of this Section.

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

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;

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

(b) The first FMR shall be furnished to the Association not later than forty-five (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 forty-five (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 a situation has 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 this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

- (a) The Borrower has prepared and furnished to the Association the POM, in form and substance satisfactory to the Association;
- (b) the Borrower has prepared and furnished to the Association the Manual of Financial and Accounting Procedures, in form and substance satisfactory to the Association;
- (c) the Borrower has prepared a shortlist, satisfactory to the Association, of firms to be invited to submit proposals for purposes of conducting the audit referred to in Section 4.01 (b) (i) of this Agreement, under terms of reference satisfactory to the Association; and
- (d) the Borrower has deposited into the Project Account an initial amount equivalent to fifty million Burundi Francs (BIF 50,000,000).

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. The obligations of the Borrower under Sections 4.01 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date fifteen (15) years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower 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 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/ Athanase Gahungu
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Pamela Cox
Acting Vice President

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	3,590,000	100% of foreign expenditures and 95% of local expenditures
(2) Works	4,920,000	100%
(3) Consultant services (including audits) and training	7,550,000	100% of foreign expenditures and 95% of local expenditures for consultant services (including audits), and 100% for training
(4) Refunding of Project Preparation Advance	450,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(5) Incremental operating costs	1,720,000	100% of foreign expenditures and 95% of local expenditures
	<hr/>	
TOTAL	<u>18,100,000</u>	

2. For the purposes of this Schedule:

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

(b) “Incremental operating costs” means the incremental expenses incurred by the PCU 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 Borrower’s civil service; and

(c) “Local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

3. 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.

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

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

B. Special Account

1. The Borrower may open and maintain in Dollars a special deposit account in its Central Bank, on terms and conditions satisfactory to the Association.

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

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

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

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B. 2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.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 Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (i) the records and accounts for the Special Account; or (ii) 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 Borrower and the Guarantor of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower and the Guarantor of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment.

Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

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

Annex A
to
SCHEDULE 1
Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of \$1,625,000 equivalent to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$812,500 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,700,000.

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

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

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

3. The Association shall not be required to make further deposits into the Special Account, once the total un-withdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining un-withdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be

made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

Annex B
to
SCHEDULE 1
Operation of Special Account
When Withdrawals Are
Report-based Disbursements

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.
2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.4 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 Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining un-withdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

SCHEDULE 2

Description of the Project

The objective of the Project is to increase the efficiency of the Borrower's macroeconomic, financial and administrative management systems by strengthening system accountability and transparency.

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:

A. Macroeconomic Management

Building knowledge and capacity of Ministry of Economic Planning and Reconstruction and ISTEERU, particularly in relation to development of analytical tools, including simulation and forecasting models, and collection of social and economic data for preparation of national accounts and economic reports of the Borrower, including through staff training and provision of consulting advice as well as development of regular updates of the Borrower's revenue outlook and harmonization of external debt data in the following areas:

1. Statistics production capacity and reliability and economic forecasting;
2. Poverty assessment and monitoring;
3. Economic modeling; and
4. Dissemination of economic and statistical information;

all through the provision of technical advisory services.

B. Public Financial and Administrative Management

1. Building knowledge and capacity of Ministries of Finance and Civil Service through training, reorganization and introduction of computerized information management concepts and systems in the following areas:

- (a) Budget classification and coverage;
- (b) Treasury and accounting;
- (c) Revenue network (Internal Revenue and Customs);
- (d) Budget execution and monitoring;

- (e) Civil service management and payroll; and
 - (f) Human resource development.
2. Provision of appropriate workspace and facilities to Ministries of Finance and Civil Service.
- C. Public Procurement and Privatization of Public Enterprises
1. Strengthening of public procurement administration, particularly Direction Générale des Marchés Publics. The provision of technical advisory services as follows:
- (a) Establishment of a decentralized public procurement system;
 - (b) Introduction of updated public procurement law;
 - (c) Introduction of updated guidelines and procedures as well as standard bidding documents and model contracts;
 - (d) Introduction of information technology in public procurement system;
 - (e) Provision of access to procurement data to development partners and potential bidders through publication thereof; and
 - (f) Establishment of quality management system and a bureau of standards in respect of public procurement.
2. And through:
- (a) Recruitment of suitable procurement specialists and creation of appropriate working conditions; and
 - (b) Provision of training in public procurement to interested authorities, companies or persons.
3. Support to privatization of public enterprises through:
- (a) Provision of appropriate training and development of analytical tools to boost Borrower's capacity to carry out its privatization program, particularly in relation to Service Chargé des Entreprises Publiques (SCEP) and Ministry of State for Good Governance and Privatization;
 - (b) Support to privatization of public enterprises, including Régie de Production et de Distribution de l'Eau et de l'Electricité (REGIDESO), through financing of reevaluation of companies' fixed assets and bidding process; and

- (c) Dissemination of information pertaining to privatization program to public. Evaluation of privatization law, including recovery and liquidation regulations, for purposes of updating thereof.

D. Legal and Judicial Reform Strategy and Oversight Mechanisms

1. Elaboration of strategy for reform of legal and judicial sector through:

- (a) Preparation of legal and judicial sector assessment;
- (b) Identification of priorities and sequencing based on available capacity and in coordination with other donors;
- (c) Development of comprehensive plan for legal and judicial reform; and
- (d) Dialogue with all stakeholders throughout process;

all through the provision of technical advisory services.

2. Strengthening of oversight mechanisms through knowledge and capacity building activities such as training, reorganization and introduction of computerized information management concepts and systems, such mechanisms to include the following:

- (a) *Commission Finances de l'Assemblée Nationale;*
- (b) *Cour des Comptes;*
- (c) *Inspection Générale de l'Etat;*
- (d) *Inspection Générale des Finances;* and
- (e) Media.

3. Building knowledge and capacity of *Tribunal du Commerce* through provision of technical advisory services, and creation of arbitration center.

E. Project Coordination

Overall project coordination, management and monitoring and evaluation through PCU. Building knowledge and capacity of PCU in project coordination, management and monitoring and evaluation through provision of technical advisory services.

* * *

The Project is expected to be completed by January 30, 2009.

SCHEDULE 3

Procurement and Consultants' Services

I. Procurement of Good and Works

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) and the following provisions of the following provisions of Section I of this Schedule.

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 procured under contracts awarded in accordance with Paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$150,000 equivalent or more each.

(b) Preference for domestically manufactured goods

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.

C. Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$150,000 equivalent per contract, up to an aggregate amount not to exceed \$900,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, 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

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$470,000 equivalent, may be procured under contracts awarded on the basis of: (i) national shopping procedures, if available locally, or (ii) international shopping procedures, if not available locally, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, 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 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 for goods estimated to cost \$150,000 equivalent or more, (ii) the first three contracts for goods estimated to cost less than \$150,000 equivalent; (iii) each contract for works estimated to cost \$200,000 equivalent or more; and (iv) the first three contracts for works estimated to cost less than \$50,000 equivalent, 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

Consultant services shall be procured in accordance with the provisions of Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” 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 the following provisions of Section II of this Section.

B. Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultant 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 and technical audits 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 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants’ Qualifications

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

3. Single Source Selection

Services for training and consulting assignments under the Project which are estimated to cost less than \$75,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may, with the Association’s prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. 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 \$50,000 equivalent or more, the report on the comparison of the qualifications and experience of candidates, 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

A. Overall Project Oversight and Implementation Arrangements

1. The Ministry of Finance shall have responsibility for overall implementation of the Project. The Ministry of Economic Planning and Reconstruction shall be responsible for technical implementation of Part A of the Project. The Ministry of Finance shall be responsible for technical implementation of Parts B and C.1 of the Project. The Ministry of State for Good Governance and Privatization shall be responsible for technical implementation of Part C.2 of the Project. The Ministry of Justice shall be responsible for technical implementation of Part D of the Project. The PCU shall be responsible for technical implementation of Part E of the Project.

2. The Borrower shall maintain at all times during the implementation of the Project the PSC, TC, and PCU in form and with functions satisfactory to the Association, and appoint thereto staff having experience and qualifications satisfactory to the Association.

3. The PSC shall include the Minister of Finance and the Minister of Economic Planning and Reconstruction as Chair and Vice Chair respectively, and the Minister of State for Good Governance and Privatization, the Minister of Justice, the Minister of the Civil Service, the Secretary of the *Secrétariat National de Suivi des Reformes Economiques et Sociales* (REFES), and the Project Coordinator as Secretary.

4. The TC shall be headed by the Chief of Staff of the Ministry of Finance and shall comprise representatives of the Implementing Agencies, a representative of the Ministry of the Civil Service, and the Project Coordinator as Secretary.

5. The PCU shall be headed by a Project Coordinator, who shall report to the Ministry of Finance, and who shall be assisted by a Macroeconomist and a Public Finance Specialist. The Project Coordinator shall be assisted in daily management of the Project by a Chief Financial Officer, who shall head an accounting unit, and a Procurement Specialist.

6. Except as the Association shall otherwise agree, the Borrower shall: (a) apply the criteria, policies, procedures and arrangements set out in the POM; and (b) not amend or waive, or permit to be amended or waived, the POM or any provision thereto, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

7. Except as the Association shall otherwise agree, the Borrower shall: (a) apply the criteria, policies, procedures and arrangements set out in the Manual of Financial and Accounting Procedures; and (b) not amend or waive, or permit to be amended or waived, the Manual of Financial and Accounting Procedures or any provision thereto, in a manner

which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

8. The PSC shall be responsible for the overall oversight of the Project and ensure that Project activities are implemented in a manner consistent with the development objective of the Project in accordance with the provisions of this Agreement and the POM. The PSC shall: (a) approve the annual work plans and budgets referred to in Paragraph 11 of this Section; (b) review the annual reports referred to in Paragraph 12 of this Section; and (c) decide on major corrective actions, as needed. The PSC shall meet at least twice every calendar year or as often as necessary upon the invitation of its Chair or Vice Chair.

9. The TC shall: (a) provide technical follow-up of the implementation of the Project; (b) serve as a link between the PSC and the PCU through maintenance of a regular dialogue with and provision of technical advice as needed to both; and (c) evaluate the annual budget of the Project before its consideration by the PSC. The TC shall meet at least once every calendar quarter.

10. The PCU shall be responsible for the overall management of financial resources, accounting, procurement and reporting of the Project, in accordance with the provisions of this Agreement and the POM. The PCU shall also provide technical expertise to the Implementing Agencies, especially in the areas of procurement, disbursement, accounting and monitoring and evaluation.

B. Monitoring and Evaluation

Annual Work Plans and Budgets

11. The Borrower shall furnish to the Association as soon as available, but in any case not later than April 15 of each year, the annual work plan and budget for each subsequent Fiscal Year following FY 2004 / 05, of such scope and in such detail as the Association shall have reasonably requested, with confirmation of availability of the Borrower's contribution for expenditures under the Project for that Fiscal Year.

Annual Reviews

12. The Borrower shall:

(a) put in place and maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) submit to the Association, no later than three (3) months after the close of each Fiscal Year, commencing FY 2004 / 05 an annual report reviewing the progress

in Project implementation during the previous year, having regard to the indicators referred to in Paragraph (a) of this Section; and

(c) following the submission of each annual report, act promptly and diligently to take any corrective action agreed with the Association to remedy any shortcomings identified in Project implementation, in furtherance of the objectives of the Project.

Midterm Reviews

13. The Borrower shall:

(a) carry out jointly with the Association, no later than March 30, 2006, a mid-term review to assess the status of Project implementation, as measured against the project development indicators referred to in Paragraph (a) of Section 1. Such review shall include an assessment of the following: (i) overall progress in the implementation of the Project; (ii) results of monitoring and evaluation activities; and (iii) progress on procurement and disbursements. Such review shall also make adjustments to the Project and reallocate funds to improve performance, if needed;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, three (3) months before such review, a report, in scope and detail satisfactory to the Association, needed to undertake the review, 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 the 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, jointly with the Association, 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

Performance Indicators

1. Timely and comprehensive national accounts are produced on a yearly basis;
2. Coherent and current budget execution data are available at any given point in time;
3. The number of legal actions brought by the private sector in respect of Direction Générale des Marchés Publics is reduced by at least 20% by mid-term review of the Project; and
4. Comprehensive reports on the use of public resources are prepared by the *Cour des Comptes*, published, and discussed in Parliament, all on a yearly basis.