

CONFORMED COPY

CREDIT NUMBER 3847 MD

Development Credit Agreement

(Youth Inclusion Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 12, 2004

CREDIT NUMBER 3847 MD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 12, 2004, between REPUBLIC OF MOLDOVA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), 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), with the modifications set forth below constitute an integral part of this Agreement:

Paragraph (c) of Section 9.06 of the General Conditions is modified to read as follows:

"(c) Not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."

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) “Beneficiary” means: (i) any NGO (hereinafter defined) or CBO (hereinafter defined) participating in the competitive Grants Program (hereinafter defined) under Part A. 2 (a) of the Project; and (ii) any individual or group of individuals meeting the eligibility criteria for an equity building Grant (hereinafter defined) under Part B. 1 (c) of the Project, all in accordance with the requirements set forth or referred to in the Operational Manual (hereinafter defined);

(b) “CAPMU” means the Consolidated Agricultural Project Management Unit established by the Borrower by government decision No. 878, dated September 29, 1999, responsible for the fiduciary functions for the Project;

(c) “CBO” means a community based organization eligible for participation in the Project in accordance with the requirements set forth or referred to in the Operational Manual;

(d) “EGPRSP” means the Economic Growth and Poverty Reduction Strategy Paper;

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

(f) “Grant” means: (i) a grant made or to be made to a Beneficiary for a Sub-project (hereinafter defined) under Part A. 2 (a) of the Project; and (ii) an equity building grant made or to be made to a Beneficiary for a Sub-project under Part B. 1 (c) of the Project as collateral for accessing credit from financial institutions and to be used in the carrying out of said Sub-project, all in accordance with the requirements set forth or referred to in the Operational Manual;

(g) “Grant Agreement” means the agreement to be entered into between a Beneficiary and the CAPMU, through the PIU (hereinafter defined), pursuant to the provisions of Section 3.01 (b) of this Agreement, for the provision to a Beneficiary of a Grant for: (i) the carrying out of a Sub-project under Part A. 2 (a) of the Project; and (ii) the building of equity for use as collateral for a Sub-project under Part B. 1 (c) of the Project, as the same may be amended from time to time, and such term includes all schedules to the Grant Agreement;

(h) “Grants Program” means the competitive grants program under Part A. 2 (a) of the Project providing support to civil society initiatives for youth economic and social inclusion through three different lines of Grants, defined according to proposed themes and activities and amount of proposals, and financing eligible Sub-projects in accordance with the requirements set forth or referred to in the Operational Manual;

(i) “NGO” means a non-governmental organization eligible for participation in the Project in accordance with the criteria and principles set forth or referred to in the Operational Manual;

(k) “Operational Manual” means the Operational Manual, satisfactory to the Association, for the carrying out of the Project, prepared by the YSD (hereinafter defined) and adopted by the PSC (hereinafter defined), as the same may be amended from time to time with the agreement of the Association;

(k) “PIU” means the Project Implementation Unit responsible for coordination and technical implementation of the Project, established by the Borrower within the legal framework of the CAPMU;

(l) “PSC” means the Project Steering Committee established by the Borrower to provide policy guidance for Project implementation;

(m) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(n) “Sub-project” means: (i) a specific project to be carried out by a Beneficiary under Part A.2 (a) of the Project utilizing the proceeds of a Grant in accordance with the requirements set forth or referred to in the Operational Manual; and (ii) a specific project to be carried out by a Beneficiary under Part B. 1 (c) of the Project for which an equity building grant is made to said Beneficiary as collateral for accessing credit from financial institutions in accordance with the requirements set forth or referred to in the Operational Manual;

(o) “YSD” means the Borrower’s Youth and Sports Department; and

(p) “Youth Strategy” means the national youth strategy of the Borrower.

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 two million one hundred thousand Special Drawing Rights (SDR 2,100,000).

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: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts A.1, A.2 (b) and (c), B 1. (a), (b),

and (d), B.2, C and D of the Project and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or if the Association shall so agree amounts to be paid) on account of Grants under Grant Agreements under Parts A.2 (a) and B.1 (c) of the Project.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be October 31, 2008 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 (60) 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 June 1 and December 1 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 June 1 and December 1 commencing June 1, 2014 and ending December 1, 2043. Each installment to and including the installment payable on December 1, 2023 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 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 with due diligence and efficiency and in conformity with appropriate administrative, financial, and social services practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) For the purposes of Parts A.2 (a) and B.1 (c) of the Project, the Borrower shall make a portion of the proceeds of the Credit available to eligible Beneficiaries under a grant agreement (the Grant Agreement) to be entered into between the CAPMU, through the PIU, and each Beneficiary, under terms and conditions which shall have been approved by the Association and which shall include those set forth in Schedule 5 to this Agreement.

(c) The Borrower shall exercise its rights under each Grant Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive a Grant Agreement or any provision thereof.

(d) 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 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 before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation 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 system, including records and accounts, and prepare financial statements in accordance with

consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, 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 (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, 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 statements of expenditure, the Borrower shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, 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;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), 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 for such period, 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 Financial Monitoring Report shall be furnished to the Association not later than 45 days after the end of the first calendar semi-annual period 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 semi-annual period; thereafter, each Financial Monitoring Report shall be furnished to the Association not later than 45 days after each subsequent semi-annual period, and shall cover such semi-annual period.

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Borrower has adopted the Operational Manual satisfactory to the Association.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
7, Cosmonautilor Street
Chisinau 2005
Republic of Moldova

Telex:

(3732) 22810

Facsimile:

(3732) 221 307

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 MOLDOVA

By: /s/ Mihail Manoli

Authorized Representative

ASSOCIATION INTERNATIONAL DEVELOPMENT

By: /s/ Luca Barbone

Authorized Representative

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) Goods of other	28,000	100 % of foreign expenditures, 100% of local expenditures (ex-factory cost) and 100% local expenditures for items procured locally
(2) Consultants' services, including auditing services	743,000	100% for foreign consulting firms and foreign individual consultants, 96% for local consulting firms and 80% for local individual consultants and 100% of eligible social charges
(3) Training	122,000	100%
(4) Grants under Grant Agreements under Parts A.2 (a) and B.1 (c) of the Project	946,000	100% of Grants disbursed under Grant Agreements

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(5) Incremental Operating Costs of the CAPMU and the PIU		
(a) CAPMU and PIU staff	112,000	96% for local consulting firms and 80% for local individual consultants and 100% of eligible social charges
(b) Other	32,000	90%
(6) Unallocated	<u>117,000</u>	
TOTAL	<u>2,100,000</u>	

2. For the purposes of this Schedule:

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

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;

(c) the term “foreign consulting firm” means a consulting firm which is registered or incorporated in the territory of any country other than that of the Borrower;

(d) the term “foreign individual consultant” means an individual consultant who is not a citizen of the territory of the Borrower;

(e) the term “local consulting firm” means a consulting firm or NGO which is registered or incorporated in the territory of the Borrower;

(f) the term “local individual consultant” means an individual consultant who is a citizen of the territory of the Borrower;

(g) the term “eligible social charges” means the employer’s contribution to social and medical charges assessed by the Borrower on employment contracts with citizens of the Borrower;

(h) the term “training” means: (i) skills enhancement activities for youth (ages 14-30 years old) in Project selected regions; and (ii) capacity building for youth policy formulation and Project implementation for central and local government staff, PIU staff, and youth-serving CBOs and NGOs; and

(i) the term “Incremental Operating Costs of the CAPMU and the PIU” means expenditures incurred by the CAPMU and the PIU on account of management of Project implementation for office supplies, rent, utilities, communications, office equipment, operating expenses, bank charges for the Special Account, fuel, travel expenditures for Project purposes and per diem allowances, and salaries of staff, including eligible social charges, but excluding salaries of civil servants, and such other expenditures as may be agreed upon by the Association.

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 expenditure for expenditures for: (a) goods under contracts costing less than \$100,000 equivalent each; (b) services under contracts costing less than \$100,000 equivalent each for consulting firms and \$50,000 equivalent each for individual consultants; (c) incremental operating costs of the CAPMU and the PIU; (d) Grants; and (e) training, 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 promote and support the participation of young people (ages 14-30 years old), especially the most vulnerable, in the economic and social life of their communities through an integrated package of youth oriented services and opportunities in selected regions through: (i) improving the responsiveness of key public and private service providers to the needs, interests, and potential of young people; and (ii) strengthening the partnerships among them.

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 objective:

Part A: Youth-friendly Spaces and Innovative Service Delivery

1. Establishment of Regional Youth-friendly Centers. Establishment of a network of resource centers and youth-friendly spaces for: (a) safe and constructive free-time activities; (b) skills enhancement (life skills, computer and information and communication technology skills); (c) orientation, guidance and counseling on youth-relevant subjects (including professional orientation/counseling for young parents); and (d) distribution and sharing of information on youth trends, opportunities and services for youth, and training facilities and resources for youth service providers.

2. Support to civil society for youth economic and social inclusion. (a) Financing of eligible Sub-projects through provision of Grants from the Grants Program to eligible Beneficiaries in accordance with the requirements set forth or referred to in the Operational Manual; (b) provision of technical assistance for capacity-building aiming at strengthening the capacity for innovative service delivery to youth, especially the most disadvantaged; and (c) financing of: (i) capacity building activities for youth-serving NGOs and CBOs, including training of trainers and regional training for outreach and inclusive service delivery and training of selected Grant applicants; and (ii) regional and specific promotion activities for the Grants Program.

Part B: Pro-Youth Employment Initiatives

1. Support to Youth Entrepreneurship. Piloting of activities to support the target population (18-30 years old) in the creation and financing of self-employment opportunities in Project selected regions through: (a) provision of business training; (b) assisting in the design and implementation of a business

plan; (c) rewarding the best candidates with equity building Grants for the carrying out of eligible Sub-projects; and (d) linking the target population to the formal financial sector, all in accordance with the requirements set forth or referred to in the Operational Manual.

2. Partnership and Training for Employment. Facilitation of youth entry into wage employment, through the development of a network of local private businesses and the financing of: (a) a skills and training needs assessment among partner enterprises (STNA); (b) the identification of target group-vulnerable youth and outreach promotion; (c) core training or counseling services, including professional orientation, and job-searching skills enhancement; (d) job specific training package based on the results of the STNA, including: (i) vocational training courses (VTC); (ii) internship subsequent to the VTC during a 4 month period offered at the partner enterprises; and (iii) financing of per-diem of trainees (for the duration of VTC) and cofinancing with partner enterprises for the duration of the internship.

Part C: Institutional and Policy Development

1. Strategy, policy development and capacity-building through the provision of technical assistance to strengthen the content and the monitoring of the Youth Strategy and its linkages with the EGPRSP, with a focus on main policy gaps including strategies and policies to reach and support youth with less opportunities; youth employment policies (both entrepreneurship and wage employment) and financial dimensions of youth policy (cost-benefits analysis of investment in youth development and inclusion).

2. Promotion and external communication activities aiming at broad dissemination of Project options and opportunities, creating awareness and incentives for young people to use these opportunities rather than engage in risky behaviors, and creating incentives for key Project partners to join and/or stay in the program.

3. Provision of technical assistance for the development of a comprehensive, learning oriented participatory system of monitoring and evaluation.

Part D: Project Implementation Support

1. Provision of technical assistance, including auditing services, training, equipment, and incremental operating costs for the operation of the PIU for purposes of Project management and implementation.

2. Provision of a portion of incremental operating costs of the CAPMU for its fiduciary functions for the Project.

* * *

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

SCHEDULE 3

Procurement

Section I. Procurement of Goods

Part A: General

Goods 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 provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods 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 to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part 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.

Part C: Other Procurement Procedures

1. International Shopping

Readily available off-shelf goods estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

2. National Shopping

Locally available off-shelf goods estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Community Participation

Goods required for Sub-projects under Part A.2 (a) of the Project shall be procured in accordance with procedures acceptable to the Association as set forth in the Operational Manual.

4. Commercial Practices

Goods under equity Grants under Part B.1 (c) of the Project may be procured at competitive prices in accordance with established commercial practices of the respective Beneficiaries in accordance with the provisions of paragraphs 3.12 of the Guidelines for goods, provided that such commercial practices involve obtaining quotations from more than one supplier, with due account being taken, in addition to prices, to such relevant factors as time of delivery and efficiency and reliability thereof and availability of maintenance and spare parts therefore.

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 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 all contracts procured in accordance with international competitive bidding procedures, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to: (i) the first contract procured in accordance with international shopping procedures; and (ii) the first contract procured in accordance with national shopping procedures; the following procedures shall apply:

- (A) prior to the selection of any supplier under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;
- (B) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

- (C) 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

Consultants' 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 Schedule.

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, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Consultancy 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.

2. Least-cost Selection

Auditing services estimated to cost less than \$16,000 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.

3. Single Source Selection

Services which are a natural continuation of previous work, must be selected rapidly due to an emergency need, have an exceptional nature where only one firm is qualified or has experience for the assignment, and are estimated to cost less than

\$100,000 equivalent per contract, 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 strengthening Project management and implementation 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.

Part 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 updated from time to time) as shall have been approved by the Association.

2. Prior Review

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

(c) With respect to: (i) each contract for the employment of consulting firms estimated to cost less than the equivalent of \$100,000; and (ii) each contract for the employment of individual consultants estimated to cost less than the equivalent of \$50,000, the terms of reference of the consulting firms and the individual 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

1. The Borrower shall carry out the Project in accordance with the requirements set forth or referred to in the Operational Manual and this Agreement.
2. The Borrower shall maintain the PIU until completion of the Project with staff, resources, and terms of reference satisfactory to the Association, and shall assign to it responsibility for coordination and technical implementation of the Project.
3. The Borrower shall maintain the CAPMU until completion of the Project with staff, resources, and terms of reference satisfactory to the Association and shall assign to it the responsibility of performing the fiduciary functions for the Project, including:
 - (a) preparation of withdrawal applications under the Credit;
 - (b) management of the Special Account referred to in Section 2.02 (b) of this Agreement;
 - (c) maintenance of records and accounts related to the Project and arranging for the audit thereof;
 - (d) participation in administration of bidding procedures and of contracts under the Project; and
 - (e) ensuring compliance of operations under the Project with the requirements set forth or referred to in the Operational Manual and this Agreement.
4. The Borrower, through the CAPMU and the PIU, shall prepare and furnish to the Association by March 31 in each year, for its review and concurrence: (a) an annual work program for the Project for the following calendar year, including procurement and financing plans; and (b) an annual progress report.
5. The Borrower shall maintain the PSC until completion of the Project, with composition and terms of reference satisfactory to the Association.
6. The Borrower shall maintain the Operational Manual in form and content at all times satisfactory to the Association, and shall include in the Operational Manual provisions governing the activities under the Project, concerning, inter alia: (a) the eligibility criteria for Beneficiaries; (b) the principles and procedures to be followed for the appraisal, approval and supervision of Sub-projects and equity building Grants; and (c) the terms and conditions to be included in the Grant Agreements.

7. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association on or about May 31, 2006, a mid-term report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by August 30, 2006, 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

Principal Terms and Conditions of the Grant Agreements

The following terms and conditions shall be included in the Grant Agreements entered into pursuant to Section 3.01 (b) of this Agreement:

1. The first three Grant Agreements under Part A.2 (a) of the Project and the first three Grant Agreements under Part B.1 (c) of the Project shall be subject to the Association's prior review and agreement.
2. Each Grant shall be provided on the basis of a standard Grant Agreement in accordance with the terms and conditions set forth in the Operational Manual. Each Grant Agreement shall include inter alia: (a) the purpose and use of the Sub-project and cost sharing to be made by the Beneficiary with respect to the financing of the Sub-project or the purpose and use of the Sub-project for the equity building Grant; (b) the obligation of the Beneficiary to maintain records and accounts for expenditures incurred under the Sub-project under Part A.2 (a) of the Project or the Sub-project under Part B.1 (c) of the Project, for which the equity building Grant is provided, and financed from the proceeds of the Credit and to submit said records and accounts to the CAPMU, through the PIU, at the request of the CAPMU or the PIU; (c) the obligation of the Beneficiary, at the request of the Borrower and the Association, to exchange views with the Borrower and the Association with regard to the progress of the Sub-project under Part A.2 (a) of the Project or the Sub-project under Part B.1 (c) of the Project, the performance of its obligations under the respective Grant Agreement, and other matters relating to the purposes of the Credit and to enable representatives of the Borrower and the Association to visit the facilities, or other activities to be financed under the Grant Agreement.
3. Procurement of the goods and services required for Parts A.2 (a) and B.1 (c) of 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.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for 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 \$500,000 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 \$250,000, 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 350,000.
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.