

CONFORMED COPY

CREDIT NUMBER 3187 MAU

Development Credit Agreement

(Nutrition, Food Security and Social Mobilization Project)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 17, 1999

CREDIT NUMBER 3187 MAU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 17, 1999, between the ISLAMIC REPUBLIC OF MAURITANIA (the Borrower) and the 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, 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 December 2, 1997, with the modifications thereto set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. (a) 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries."; and

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "SECF" means Secrétariat d'Etat de la Condition Féminine, the Borrower's Ministry for women affairs;

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

(c) "Subproject Grant Agreement" means an agreement to be entered into between the Borrower and a Beneficiary for the purpose of financing activities under Part A. 2 or Part B. 2 of the Project;

(d) "Subproject" means a specific development activity financed, or proposed to be financed;

(e) "UGP" means Unité de gestion de projet, the Project management unit within SECF;

(f) "UNIPAC" means United Nations Children's Fund Procurement and Assembly Center; and

(g) "Beneficiary" means a women cooperative or association, registered and operating in accordance with the laws of the Borrower, to whom, or for whose benefit, a Subproject (as hereinafter defined) is financed, or proposed to be financed, out of the proceeds of the Credit;

(h) "Comité de Direction" means the committee referred to in paragraph 4. (a) of Schedule 4 to this Agreement;

(i) "CREN" means Centre de récupération et d'éducation nutritionnelle, a center for study of and education about nutritional values in the Borrower's ministry of health and social affaires;

(j) "Designated Area A." means the Borrower's Wilayas (as hereinafter defined) of Assaba, Gorgol and Hodh El Gharbi, and "Designated Area B." means the urban districts in Nouakchott of Arafat, Toujounine, Riadh, DarNaim, El Mina, and Sebkha, and the urban districts in Nouadhibou of Kraa Boudou, Foum El Base, Daar Salaam, Hay Merdoun and Laeuwyene, constituting the areas in which one or more Subprojects (as hereinafter defined) may be carried out;

(k) "GIE" means groupe d'intérêt économique, a private group pursuing commercial goals established and operating in accordance with the laws of the Borrower;

(l) "Grant" means a grant made, or proposed to be made, to finance a specific Subproject (as hereinafter defined) under Part A. 2 or Part B. 2 of the Project, as the case may be;

(m) "IAPSO" means the Inter-Agency Purchase and Service Organization of the United Nations;

(n) "NGO" means one or several non-governmental organizations established and operating in the territory of the Borrower;

(o) "ONS" means Office National des Statistiques, the Borrower's national statistics office;

(p) "Ouguyia" and "UM" mean the currency of the Borrower;

(q) "Project Implementation Manual" and "PIM" mean the Project implementation manual referred to in Paragraph 1 of Schedule 4 of this Agreement, setting forth, inter alia, Project monitoring and evaluation indicators; eligibility criteria for the selection of Beneficiaries and other arrangements for the purpose of implementation of the Project; and such term includes any schedules and attachments to the PIM;

(r) "Project Management Report" means each Project Management Report prepared in accordance with Section 4.02 of this Agreement; and

(s) "Wilaya" means an territorial administrative unit as defined by the laws 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 three million six hundred thousand Special Drawing Rights (SDR 3,600,000).

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, works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or, if the Association shall so agree, to be paid) on account of withdrawals made for the benefit of a Beneficiary under a Grant to meet the reasonable cost of goods, and services required for a Subproject, to be financed under Part A. 2 or Part B. 2 of the Project, as the case may be, and in respect of which withdrawal from the Credit Account is requested.

(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 and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

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

canceled.

Section 2.03. The Closing Date shall be October 31, 2003 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 June 15 and December 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 June 15 and December 15, commencing June 15, 2009 and ending December 15, 2038. Each installment to and including the installment payable on December 15, 2018 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, 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. The Borrower shall:

(a) open an account in Ouguiya in a commercial bank acceptable to the Association, (the Project Account) and thereafter maintain said Project Account under terms and conditions acceptable to the Association until the completion of the Project;

(b) deposit into the Project Account: (i) an initial amount of UM 50,000,000; and (ii) thereafter, replenish the Project Account by the amounts required to finance the Borrower's share of expenditures required for the execution of the Project, agreed between the Borrower and the Association; and

(c) ensure that funds deposited into the Project Account in accordance with paragraph (b) of this Section shall be used exclusively to finance the Borrower's contribution for expenditures under the Project other than those financed from the proceeds of the Credit;

Section 3.03. 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 3.04. For the purposes of Section 9.07 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 for the future extension of the operation of the Project in its territory; 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 or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

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

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

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall 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) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

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

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

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

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association designed to: (i) strengthen its financial management system for the Project; and (ii) develop not later than thirty months following the Effective Date, or such later date as the Association shall agree, a system acceptable to the Association for the preparation of quarterly Project Management Reports, each of which: (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the

six-month period following the period covered by said report; (B) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and previously forecast implementation targets; and (C) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the development of the Project Management Reporting System, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Bank not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions, that:

The Borrower has:

(a) approved the PIM, in form and substance acceptable to the Association;

(b) appointed the auditors referred to in Section 4.01 (b) of this Agreement, in accordance with the provisions of Section II of Schedule 3 to this Agreement; and

(c) appointed an accountant in accordance with the provisions of Section II of Schedule 3 to this Agreement and established, or has caused to be established, a computerized accounting and financial information management system, acceptable 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 the Borrower at the time responsible for economic activities 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:

Ministre des Affaires Economiques et du Développement
Ministère des Affaires Economiques et du Développement
B.P. 238
Nouakchott
République Islamique de Mauritanie

Cable address:

Telex:

MP Nouakchott

840 MTN

For the Association:

International Development Association
1818 H Street, NW

Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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.

ISLAMIC REPUBLIC OF MAURITANIA

By /s/ Abdallahi Ould Kebd

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

| Category | Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
|--|---|---|
| (1) Grants for Subprojects disbursed under Parts A.2 and B.2 of the project | 500,000 | 100% of amounts |
| (2) Works under Part C of the Project | 100,000 | 90% |
| (3) Equipment and vehicles expenditures | 1,400,000 | 100% of foreign and 90% of local expenditures |
| (4) Consultant's services, training and audits | 450,000 | 100% |
| (5) Incremental operating costs | 650,000 | 90% |
| (6) Refunding of the Project to Preparation Advance | 250,000 | Amount due pursuant Section 2.02 (c) of |

this

Agreement

| | | |
|-----|-------------|-----------|
| (7) | Unallocated | 250,000 |
| | | <hr/> |
| | TOTAL | 3,600,000 |
| | | ===== |

2. For the purpose of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency other than that of the Borrower for goods and services 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 and services supplied from the territory of the Borrower; and

(c) the term "incremental operating costs" means the incremental expenses incurred on account of Project implementation, management and monitoring, including office supplies, operation and maintenance of vehicles, travel and supervision costs and salaries for local contractual staff, but excluding salaries of officials of the Borrower's civil and public service;

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

(a) payments made for expenditures prior to the date of this Agreement; and

(b) payments made in respect of a Grant under Category (1) of the table set forth in paragraph 1 of this Schedule, unless the Grant has been made in accordance with the procedures and on the terms and conditions set forth or referred to in paragraphs 5, 6, and 7 of Schedule 4 to this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures made for: (a) civil works and goods not exceeding \$100,000 equivalent; (b) for consulting firms under contracts not exceeding \$100,000 equivalent and for individual consultants' services under contracts not exceeding \$50,000 equivalent; under such terms and conditions as the Association shall specify by notice to the Borrower; and (c) for all operating costs.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in testing the effectiveness of various activities to improve mother and child's health in its territory through the provision of technical and financial resources to support: (a) selected activities initiated by women's cooperatives or women's associations; and (b) decentralized services of the Borrower's ministries.

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

Part A: Activities related to the Improvement of Nutritional Status and Health in Rural Areas

1. Promotion, identification, appraisal, design, and supervision of

Subprojects initiated by Beneficiaries in Designated Area A for education, literacy training and information services in health care and nutrition, through: (a) provision of technical services in basic health care, nutrition and income producing activities; and (b) acquisition of equipment, goods and provision of management training.

2. Provision of Grants for the carrying out of income generating community activities.

Part B: Social and Educational Activities in Urban Areas

1. Promotion, identification, appraisal, design, and supervision of Subprojects initiated by Beneficiaries in Designated Area B for education, literacy training and information services in health care through: (a) the provision of technical services and training in basic health care, nutrition and income generating community activities; and (b) facilitation of access to credit pertaining to income generating community activities.

2. Provision of Grants for the carrying out of income generating community activities.

Part C: Institutional Development

1. Strengthening the administrative capacity of SECF to design and supervise Subprojects through the carrying out of works for storage facilities, acquisition of equipment and provision of advisory services.

2. Strengthening ONS' capacity to carry out project evaluation activities, through the acquisition of equipment and provision of technical advisory services.

3. Carrying out of promotion and information activities in Designated Areas A and B pertaining to nutritional and basic health care themes through the carrying out of seminars, workshops, and public media campaigns.

Part D: Project Monitoring and Evaluation

Carrying out of studies on the nutritional status of Beneficiaries and other women associations in Designated Areas A. and B.

* * *

The Project is expected to be completed by March 31, 2003.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

1. 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 and September 1997 (the Guidelines) and (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, works and 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.

Grouping of contracts

To the extent practicable, contracts for drugs, nutritional supplements and medical equipment shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$240,000 equivalent, and one contract for works estimated to cost less than \$60,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$240,000 equivalent, and works estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$70,000 equivalent 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. Procurement from UN Agencies

Vehicles, drugs, nutritional supplements and medical equipment may be procured from UNIPAC or through IAPSO, as the case may be, in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

(a) With respect to all contracts for goods and works awarded or to be awarded during the first twelve months following the Effective Date, irrespective of their amounts, paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract under Part B.1 above estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this

Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

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

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for audits activities estimated to cost less than \$200,000 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 and Particular Types of Consultants

Services for training, design and management for Subprojects under Parts A and B of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.14 of the Consultant Guidelines, as the case may be.

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

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000. or more, and individual consultants estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant 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 Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. The Borrower shall carry out the Project through SECF in accordance with the procedures set forth in the PIM and, except as the Association shall otherwise agree, shall not amend or waive any provision of said PIM if, in the opinion of the Association, such amendment or waiver may materially or adversely affect the implementation of the Project.

2. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators agreed upon between the Borrower and 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 March 30 and September 30 of each year until the Completion Date, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association within one month of the receipt of the report referred to in subparagraph (b) of this paragraph by the Association, or at such later date as the Association shall request, said report 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 views on the matter.

3. (a) Not later than 18 months after the Effective Date or such later date as the Borrower and the Association shall agree upon, the Borrower and the Association shall carry out a mid-term review (hereinafter referred to as the Mid-Term Review). The Borrower shall take all action it considers necessary to ensure the participation of representatives of Beneficiaries in such Mid-Term Review. Such Mid-Term Review shall cover the progress achieved in the implementation of the Project and draw conclusions pertaining to the future expansion of the Project, based on an assessment of the monitoring and evaluation indicators referred to in paragraph 2 of this Schedule.

(b) Not later than one month prior to the Mid-Term Review, the Borrower shall furnish to the Association, for review and comment, a report, in such detail as the Association shall reasonably request, on the implementation of the Project.

(c) Following such Mid-Term Review, the Borrower shall act promptly and diligently in order to take any corrective action deemed necessary by the Association to remedy any shortcoming noted in the implementation of the Project, as the case may be, or to implement such other measures as may have been agreed upon between the Borrower and the Association in furtherance of the objectives of the Project.

4. The Borrower shall maintain:

(a) in SECF its Comité de Direction, chaired by SECF's director of cabinet, in charge of the supervision and coordination of Project activities in accordance with its internal statutes, acceptable to the Association;

(b) personnel with suitable qualifications and experience in the following positions until completion of the Project: (i) one project coordinator; (ii) one procurement specialist; (iii) one nutrition specialist; (iv) one communication specialist; (v) one accountant and financial analyst, and (vi) four agro-economists and four nutrition specialists residing in Designated Areas A. and B.;

(c) a computerized management and financial accounting system, acceptable to the Association, at UGP in working condition, acceptable to the Association, until the Closing Date.

5. Eligibility criteria for Beneficiaries. No Beneficiary shall be eligible to receive financing out of the proceeds of the Credit, unless UGP shall have determined, following an appraisal conducted in accordance with guidelines set forth in the PIM, that it satisfies the eligibility criteria specified in the PIM, which shall include the following:

(a) the Beneficiary is of a group of women, organized in a cooperative, association or community nutrition center registered in accordance with the laws of the Borrower;

(b) the Beneficiary resides in Designated Area A or Designated Area B, as the case may be; and

(c) in the case of a second financing of a Subproject, that the Beneficiary has executed a previous Subproject to the satisfaction of UGP.

6. Eligibility criteria for Subprojects. No Subproject shall be eligible for financing out of the proceeds of the Credit, unless UGP shall have determined, following an appraisal conducted in accordance with guidelines set forth in the PIM, that it satisfies the eligibility criteria specified in the PIM, which shall include the following:

(a) the Subproject has been identified and proposed by a Beneficiary, and said Beneficiary has submitted to UGP, in accordance with procedures set forth in the PIM, an application for the provision of technical assistance services and/or financing, as the case may be. Said application may have been prepared with the assistance of an NGO, GIE or other organization acceptable to the Association operating in the territory of the Borrower;

(b) the objective of the Subproject is one of the following: (i) improvement of Beneficiary's mother and child's nutritional status and health; (ii) creation of income-producing activities for members of Beneficiaries;

(c) for Subprojects in Designated Area A, the Beneficiary must have furnished to UGP an undertaking, acceptable to UGP, to cooperate with a selected CREN in tasks specified in the PIM;

(d) for Subprojects referred to under subparagraph (b) (ii) of this paragraph 6, the respective Beneficiary has furnished evidence to UGP, in form and substance satisfactory to UGP, that: (i) such Subproject will generate acceptable returns according to specifications included in the PIM; and (ii) that the respective Beneficiary satisfies the specific eligibility criteria specified in the PIM, which shall include, inter alia: (A) execution of community based activities prior to the request for financing under this Project; (B) stability of membership as defined in the PIM; (C) the undertaking to bear 10% of the investment costs of the Subproject and its full recurrent costs, and (D) for Subprojects in Designated Area B, refusal of credit financing for said Subproject by a

donor, other than the Association, carrying out microfinancing in the territory of the Borrower, within three months of application for said financing.

7. Terms and Conditions for Grant No Subproject shall be eligible for financing out of the proceeds of a Grant unless a Subproject Grant Agreement has been concluded between UGP and the Beneficiary, under terms and conditions set forth in the PIM, which shall include the following:

(a) financing of the Subproject shall be on a grant basis;

(b) the obligation of the Beneficiary to carry out the Subproject pursuant to the provisions set forth in the PIM, with due diligence and efficiency and in accordance with appropriate administrative practices;

(c) the obligation that: (i) goods, equipment and services required for a Subproject be procured in accordance with the procedures set forth in Schedule 3 to this Agreement, and (ii) such goods, equipment and services shall be used exclusively for the carrying out of the Subproject;

(d) the right of the Borrower to inspect, by itself or jointly with the Association, if the Association shall so request, the goods and equipment included in the Subproject, the operation thereof and any relevant records and documents having regard to said Subproject; and

(e) the right of the Borrower to suspend or terminate the right of the Beneficiary to use the proceeds of the Grant for carrying out the Subproject, or take further actions as specified in the PIM, upon failure by the Beneficiary to perform any of its obligations under its Subproject Grant Agreement.

8. The Borrower shall:

(a) carry out the studies under Part D of the Project within these intervals: (i) following the Effective Date; (ii) preceding the Mid-Term Review; and (iii) at the end of the last year of Project implementation, but not later than one month prior to the Closing Date; or at such other dates as the Borrower and the Association shall agree; and

(b) not enter into any contract pertaining to training abroad, without having previously furnished to the Association the respective training program, and having obtained the Association's prior approval to said program.

SCHEDULE 5

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, works 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 of \$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 of \$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 SDR1,500,000.

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.

