

July 6, 2000

His Excellency
Sououndi Abdou Toyb
Ministre des Finances, du Budget et du Plan
Ministère des Finances, du Budget et du Plan
Moroni
Islamic Federal Republic of the Comoros

COMOROS: Pilot Agricultural Services Project (Cr. 2931 COM)
Amendment to the Development Credit Agreement

Excellency:

We refer to the Development Credit Agreement (the "Agreement") for the above-referenced Project, dated February 25, 1997, between the Islamic Federal Republic of the Comoros (the "Borrower") and the International Development Association (the "Association"). We also refer to your letter dated May 23, 2000, requesting amendments to the Agreement.

We are pleased to inform you that the Association agrees to your request and consequently proposes to hereby amend the Agreement as indicated in the Attachment hereto.

Please indicate your agreement with the foregoing, on behalf of the Borrower, by countersigning and dating the form of confirmation on the two original copies of this letter provided and returning one original, as countersigned, to us. Upon receipt by the Association of the copy of this letter countersigned by you, this amendment shall become effective as of the date of countersignature of this letter by you.

Sincerely,

By /s/ Hafez Ghanem Hafez M. H. Ghanem
Country Director for Comoros
Africa Region

CONFIRMED:

ISLAMIC FEDERAL REPUBLIC OF THE COMOROS

By /s/ Assoumany Aboudou
Authorized Representative

DATE: July 28, 2000

Attachment

1. Section 1.02. of the Agreement is amended as follows:

(a) paragraph (c) is amended to read as follows:

"(c) "MPE" means Ministère de la Production et de l'Environnement, the Borrower's Ministry of Production and Environment;"

(b) paragraphs (j) and (k) are deleted; and

(c) the following definitions are added:

"Beneficiary" means a farm producer association to whom, or for whose benefit, a Grant (as hereinafter defined) is made, or proposed to be made;

"DRA" means Direction Régionale de l'Agriculture, the MPE's regional directorate for agriculture in each of the three islands of the archipelago; "Financing Agreement" means an agreement to be entered into between the Borrower and a Beneficiary for the purposes of carrying out a Subproject (as hereinafter defined); "Grant" means a grant made, or proposed to be made, by the Borrower to finance a Subproject (as hereinafter defined) under Part C of the Project; "Operating Manual" means the manual referred to in paragraph 7 of Schedule 4 to this Agreement and setting out, inter alia, criteria, procedures and guidelines for the identification, selection and implementation of Subprojects (as hereinafter defined), as the same may be amended from time to time, and such term includes any schedules to the Operating Manual; "Regional Approval Committee" means the multidisciplinary technical committee responsible for the approval of Subprojects (as hereinafter defined), in each of the three islands of the archipelago;

"Subproject" means a specific activity financed, or proposed to be financed under Part C of the Project;

"Subproject Management Committee" means the committee to be established by each Beneficiary for the purposes of identifying, preparing and supervising its Subproject; and

"Technical Support Agency" means the technical agency responsible for, in each of the three islands of the archipelago, the appraisal, management and overall monitoring and supervision of the Subprojects, and the training of the Beneficiaries and the village extension agents."

2. Paragraph (a) of Section 2.02 of the Agreement is amended to read as follows:

"(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 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) by the Borrower 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 C of the Project, and in respect of which withdrawal from the Credit Account is requested."

3. Section 2.03 of the Agreement is amended to read as follows:

"The Closing Date shall be June 30, 2002, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date."

4. Paragraph (a) of Section 3.01 of the Agreement is amended to read as follows:

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

5. Paragraph (b) (ii) of Section 3.04 of the Agreement is deleted.

6. The table in paragraph 1 of Schedule 1 to the Agreement is amended to read as set forth in Annex 1 to this letter.

7. Paragraph 2 (c) of Schedule 1 to the Agreement is amended to read as follows:

"(c) the term "operating costs" means the incremental operating costs incurred by MPE under the Project on account of: (i) travel costs and allowances; (ii) maintenance of vehicles and equipment; (iii) office rent, supplies and utilities; and (iv) salaries of local contractual staff, but excluding salaries of civil servants."

8. Paragraph 3 of Schedule 1 to the Agreement is amended to read as follows:

"3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for: (a) expenditures prior to the date of this Agreement; and (b) expenditures under Category (9) unless: (i) the Borrower has adopted an Operating Manual, both in form and substance satisfactory to the Association; and (ii) the Grants have been made in accordance with the criteria, procedures and terms and conditions set forth or referred to in paragraph 7 of Schedule 4 to this Agreement."

9. Paragraph 4 of Schedule 1 to the Agreement is amended to read as follows:

"4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods, works and consultants' services (firms) under contracts not exceeding \$20,000 equivalent, operating costs and training, under such terms and conditions as the Association shall specify by notice to the Borrower."

10. Schedule 1 to the Agreement is amended by adding the following paragraph reading as follows:

"5. It is understood that the percentages in the table in paragraph 1 of this Schedule have been calculated on the basis of the provisions in the Borrower's Arrêté No. 00-133/MFBP dated June 9, 2000, which exempt the goods, equipment, supplies, operating costs, works and services to be financed under the Credit from taxes and customs duties levied by the Borrower. If any change is made to said Arrêté which has the effect of levying taxes or customs duties on such goods, equipment, supplies, operating costs, works or services, the percentages referred to above shall be decreased in accordance with the provisions of Section 5.08 of the General Conditions."

11. Part A of Schedule 2 to the Agreement is amended as follows:

(a) paragraph 1 is amended to read as follows:

"1. Agricultural Extension. Strengthening, through training and technical advisory services, of the capacity of the village extension agents and farm producer associations. In relation thereto, acquisition of agricultural equipment and inputs, and organization of workshops.

(b) Paragraphs 2 (a) and 3 are deleted, and, accordingly, paragraphs 2 (b) and 2 (c) are renumbered as paragraphs 2 (a) and 2 (b), respectively.

12. Paragraph 1 of Part B of Schedule 2 to the Agreement is amended to read as follows:

"1. Strengthening, through training and technical advisory services, of the capacity of the MPE's Planning Division, and its central and regional directorates for agriculture to coordinate, monitor and evaluate implementation of sector projects and activities, including Subprojects."

13. Schedule 2 to the Agreement is amended by adding a Part C reading as follows:

"Part C: Farm Producer - Initiated Activities

Provision of Grants for the financing of Subprojects initiated by farm producers consisting of the construction and equipment of small infrastructure for production, transformation, storage and marketing of farm products."

14. Schedule 3 to the Agreement is amended to read as set forth in Annex 2 to this letter.

15. Schedule 4 to the Agreement is amended as follows:

(a) Paragraph 1 (a) is amended to read as follows:

"1. (a) MPE, through its Secretary General, shall be responsible for the overall coordination of the Project."

(b) Paragraph 5 is deleted and, accordingly, paragraphs 6 and 7 are renumbered paragraphs 5 and 6, respectively.

(c) The following paragraphs are added:

"7. (a) Except as the Association shall otherwise agree, the Borrower shall: (i) apply the criteria, policies, procedures and guidelines set out in the Operating Manual; and (ii) not amend, or waive, or permit to be amended or waived, the Operating Manual, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

(b) Without limitations upon the provisions of paragraph 7 (a) above, no Subproject shall be eligible for financing out of the proceeds of the Credit unless the concerned Regional Approval Committee has determined, on the basis of an appraisal conducted by the relevant DRA with the assistance of the regional representatives of the relevant ministries, in accordance with the guidelines set forth in the Operating Manual, that the Subproject satisfies the eligibility criteria specified below and in more detail in the Operating Manual, which shall include, inter alia, the following:

(i) the Subproject shall be initiated by a Beneficiary, with or without the assistance of the relevant Technical Support Agency;

(ii) the Subproject shall be for any of the types of activities referred to in Part C of the Project;

(iii) the Subproject shall be economically, financially, environmentally and technically sound in accordance with the standards specified in the Operating Manual;

(iv) adequate arrangements are in place for the financing of maintenance and other incremental recurrent costs related to the Subproject;

(v) the Subproject shall be in compliance with the standards set forth in the applicable laws and regulations of the Borrower relating to health, safety and environmental protection;

(vi) the Beneficiary shall provide at least 10% of the estimated Subproject costs in the form of cash, and 10% (or 5% if so approved by the MPE in accordance with criteria acceptable to the Association) of the estimated Subproject costs in the form of land, materials, labor or other services; and

(vii) no Grant shall be in excess of six million four hundred thousand Comorian Francs (KMF 6,400,000) in case the Beneficiary's contribution is equal to at least 20% of the estimated Subproject costs, or six million eight hundred thousand Comorian Francs (KMF 6,800,000) in case the Beneficiary's contribution is equal to at least 15% of the estimated Subproject costs.

(c) Applications for Grant to finance Subprojects shall be prepared by the Beneficiaries, with or without the assistance of the relevant Technical Support Agency, and submitted to the respective DRA, which shall, if approved by such DRA, refer them to the respective Regional Approval Committee for its approval.

(d) Where the respective Regional Approval Committee approves an application for a Grant, the Regional Approval Committee refers such application to the Borrower for financing.

(e) The composition of each Regional Approval Committee shall be as

indicated in the Operating Manual. The Technical Support Agencies shall meet the criteria specified in the Operating Manual.

(f) Terms and Conditions of Grants made for Subprojects

Subprojects shall be carried out pursuant to Financing Agreements, to be concluded between the Borrower and the Beneficiary, under terms and conditions satisfactory to the Association, which, inter alia, shall include the following:

(i) financing to be on a grant basis;

(ii) the obligation to carry out the Subproject in accordance with the Operating Manual, with due diligence and efficiency and in accordance with sound environmental, technical, financial and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subproject;

(iii) the requirement that : (A) the goods, works, and services to be financed from the proceeds of the Credit shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement; and (B) such goods, works and services shall be used exclusively in the carrying out of the Subproject;

(iv) the right of the Borrower to inspect, by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites and construction included in the Subproject, the operations thereof and any relevant records and documents;

(v) the right of the Borrower to obtain all information as the Borrower or the Association shall reasonably request regarding the administration, operations and financial conditions of the Subproject; and

(vi) the right of the Borrower to suspend or terminate the right of the Beneficiary to use the proceeds of the Credit for the Subproject upon failure by the Beneficiary to perform any of its obligations under its Financing Agreement.

(g) The Borrower shall submit to the Association, for its review, semiannual and annual progress reports on the status of Part C of the Project, including regular beneficiary assessment and beneficiary feedback reports and Subprojects completion reports."

Annex 1

"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) Civil Works	7,000	100%
(2) Equipment and furniture	104,000	100%
(3) Vehicles	10,000	100%

(4)	Consultants' services, studies and audits	120,000	100%
(5)	Training and workshops	70,000	100%
(6)	Operating costs	30,000	100%
(7)	Refunding of Project Preparation Advance	410,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(8)	Unallocated	0	
(9)	Grants for Subprojects under Part C of the Project	349,000	100% of amounts disbursed
	TOTAL	1,100,000"	

Annex 2

SCHEDULE 3

Procurement and Consultants' Services

"Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and 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 and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

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

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$50,000 equivalent or more each.

(b) Preference for domestically manufactured goods and domestic contractors

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

Part C: Other Procurement Procedures

1. International Shopping

Equipment of a specialized nature up to an aggregate amount not to exceed \$3,000 equivalent, 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

Furniture and equipment (other than equipment referred to in paragraph 1 of this

Part C) estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$54,000 equivalent, as well as items required under Category (6) of the table in paragraph 1 of Schedule 1 to this Agreement, 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 and works required for Part C of the Project shall be procured in accordance with procedures specified below in paragraph 4 (Procurement of Small Works).

4. Procurement of Small Works

Works estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or 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

With respect to each contract for goods and works estimated to cost the equivalent of \$20,000 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: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrower" published by the Association in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

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 estimated to cost less than \$15,000 equivalent per contract may be procured under contracts awarded in accordance with the provision of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Service Delivery Contractors

Services to be provided by the Technical Support Agencies shall be procured in accordance with procedures acceptable to the Association, as specified in the Operating Manual.

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 \$20,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

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.

