

CONFORMED COPY

CREDIT NUMBER 3436 BUR

Development Credit Agreement

(Community-Based Rural Development Project)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 7, 2001

CREDIT NUMBER 3436 BUR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 7, 2001 between BURKINA FASO (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated August 8, 2000 from the Borrower describing a program of objectives, policies, and actions designed to strengthen the Borrower's decentralized rural development strategy (the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower has requested that the Association support its execution of the Program through a series of Credits over a period of fifteen years, the proceeds of such Credits to be utilized by the Borrower for the carrying out of the Program;

(C) the Borrower intends to obtain from the Government of the Kingdom of Denmark (Denmark) an amount in dollars equivalent to twenty-nine million Danish Kroner (DKK 29,000,000) (the Danish Grant) to assist in financing the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and Denmark (the Danish Grant Agreement);

(D) the Borrower intends to obtain from the Government of the Kingdom of the Netherlands (the Netherlands) an amount equivalent to nine million U.S. dollars (US\$9,000,000) (the Dutch Grant) to assist in financing the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and the Netherlands (the Dutch Grant Agreement);

(E) the Borrower intends to obtain from the International Fund for Agricultural Development (IFAD) an amount equivalent to eleven million, five hundred thousand U.S. dollars (US\$11,500,000) (the IFAD Loan) to assist in financing the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and IFAD (the IFAD Loan Agreement);

(F) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, which Project forms the first phase of the Program, 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), with the modifications 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. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; 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 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 an entity (including a village, group of villages, or a province) which meets the eligibility criteria specified in the Project Implementation Manual and to which or for whose benefit a Grant is made, or proposed to be made, for a Subproject under Part B of the Project;

(b) "CFAF" means Franc de la Communauté Financière Africaine, the currency of the Borrower;

- (c) "Fiscal Year" means the Borrower's fiscal year commencing on January 1 and ending on the following December 31;
- (d) "Grant" means any of the grants referred to in Part B of the Project;
- (e) "Grant Agreement" means the agreement referred to in paragraph 8 of Schedule 4 to this Agreement;
- (f) "IAPSO" means the Inter-Agency Purchase and Service Organization of the United Nations;
- (g) "IEC" means information, education, and communications;
- (h) "Initial Deposit" means five hundred million CFAF (CFAF 500,000,000) referred to in Section 3.04 (b) of this Agreement;
- (i) "Local Investment Fund" means the fund referred to in Part B of the Project;
- (j) "Midterm Review" means the midterm review referred to in paragraph 2 of Schedule 4 to this Agreement;
- (k) "National Coordination Forum for Decentralized Rural Development" means the committee to be established pursuant to paragraph 3 of Schedule 4 to this Agreement;
- (l) "Ministerial and Provincial Procurement Commissions" means the commissions referred to in paragraph 6 of Schedule 4 to this Agreement;
- (m) "Project Account" means the account referred to in Section 3.04 (a) of this Agreement;
- (n) "Project Coordination Unit" or "PCU" means the Borrower's Project implementing agency for the Project referred to in paragraph 5 of Schedule 4 to this Agreement;
- (o) "Project Implementation Manual" means the manual of procedures and supporting handbooks, as well as the implementation, administration, and accounting manuals for the implementation of all the components of the Project, in form and substance satisfactory to the Association, referred to in paragraph 1 of Schedule 4 to this Agreement and containing, inter alia, disbursement and procurement arrangements, work plans, training plans, the monitoring and performance indicators, and procedures to be used for the purposes of implementation of the Project, as they may be amended from time to time, in consultation with the Association, and such term includes any schedules to the Project Manuals;
- (p) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;
- (q) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to the letters of agreement signed on behalf of the Association on October 14, 1998 and March 30, 2000 and on behalf of the Borrower on November 20, 1998 and May 2, 2000;
- (r) "Project Steering Committee" means the committee to be established pursuant to Section 6.01 (a) and referred to in paragraph 4 of Schedule 4 to this Agreement;
- (s) "Project Year" means the 12-month period beginning from the Effective Date and ending 12 months thereafter and each successive 12-month period thereafter;
- (t) "Special Account" means the account referred to in Section 2.02 (b) (i) of this Agreement;
- (u) "Subproject" means any activity or group of activities to be carried out under Part B of the Project, financed or proposed to be financed through a matching grant extended under Part B of the Project;
- (v) "UNIPAC" means the United Nations Children's Fund Procurement and Assembly Center; and

(w) "90-Day Advance Account" means the advance accounts referred to in Section 2.02 (b) (ii) of this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to fifty million, five hundred thousand Special Drawing Rights (SDR 50,500,000).

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 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) by the Borrower on account of withdrawals made to meet the reasonable cost of goods, works, and services required for any Subproject in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in CFAF: (i) 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; and (ii) 90-Day Advance Accounts in up to six provinces (as the Borrower and the Association shall agree upon), all said 90-Day Advance Accounts 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 and each respective 90-Day Advance Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

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

Section 2.03. The Closing Date shall be June 30, 2006 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 May 15 and November 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 May 15 and November 15, commencing May 15, 2011 and ending November 15, 2040. Each installment to and including the installment payable on May 15, 2020 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

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

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

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

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

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works, and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

Section 3.04. Without limitation upon its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) open and maintain, until the completion of the Project, the Project Account, on terms and conditions satisfactory to the Association;

(b) deposit into the Project Account the Initial Deposit and thereafter, at semiannual intervals, deposit into the Project Account such amounts as are estimated to be required for the ensuing six-month period and as shall be agreed upon between the Borrower and the Association; and

(c) ensure that the amounts deposited into the Project Account in accordance with paragraph (b) of this Section shall be used exclusively for expenditures under the Project not otherwise financed from the proceeds of the Credit.

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 a format acceptable to the Association, adequate to reflect the operations, resources, and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts, and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account and the 90-Day Advance Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;

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

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

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the 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 for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than 18 months after the Effective Date, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

- (i) (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; and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) 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 completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar semester, a report for such period.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any grant or loan (including the Danish Grant, the Dutch Grant, and the IFAD Loan) made to the Borrower for the financing of the Project shall have been suspended, canceled, or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that (A) such suspension, cancellation, termination, or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

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

(a) the Borrower has established the Project Steering Committee in a form and with functions, staffing, and resources satisfactory to the Association;

(b) the Project Steering Committee has approved: (i) the Project Implementation Manual in form and substance satisfactory to the Association; and (ii) the work program for the first Project Year;

(c) the Borrower has recruited the following key staff to the PCU, namely: (i) a Project coordinator, (ii) a financial management specialist assisted by two accountants, and (iii) a monitoring and evaluation specialist, following an open and transparent selection process and with qualifications and experience satisfactory to the Association;

(d) the Borrower has: (i) opened the Project Account; and (ii) paid into the Project Account the Initial Deposit;

(e) the Borrower has installed an accounting system, a financial management system, and a monitoring and evaluation system for the Project, in form and substance satisfactory to the Association;

(f) all conditions precedent to the effectiveness of the IFAD Loan Agreement, other than those related to the effectiveness of this Agreement, have been fulfilled; and

(g) the Borrower has appointed the independent auditors referred to in Section 4.01 (b) of this Agreement, under terms and conditions acceptable to the Association, in accordance with the provisions of Section II of Schedule 3 to this Agreement.

Section 6.02. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministère de l'Économie et des Finances

03 BP 7008

Ouagadougou 03

Burkina Faso

Cable address:

Telex:

Facsimile:

SEEGOUV

5555

(226) 31 27 15 or

(226) 31 54 09

For the Association:

International Development Association

1818 H Street, N.W.

Washington, D.C. 20433

United States of America

Cable address:

Telex:

Facsimile:

INDEVAS

248423 (MCI) or

(202) 477-6391

Washington, D.C.

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.

BURKINA FASO

By /s/ Bruno Zidouemba

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Theodore Ahlers

Acting Regional Vice President

Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Amount of the

Credit Allocated % of

(Expressed in Expenditures

Category

SDR Equivalent)

to be Financed

(1)	Civil works	310,000	60%
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(2) Equipment and vehicles 1,700,000 100% of foreign

expenditures and

65% of local

expenditures

(3) Consultants' 14,670,000 100% of foreign

services, training,

expenditures and

and audits

80% of local

expenditures

(4) Grants under 23,000,000 100% of amounts

Part B of the Project

disbursed

(5) Operating costs 4,630,000 50%

(6) Refunding of 1,530,000 Amount due pursuant

Project Preparation

to Section 2.02 (c) of

Advance

this Agreement

(7) Unallocated

4,660,000

TOTAL

50,500,000

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 or 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 or services supplied from the territory of the Borrower, provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures"; and

(c) the term "operating costs" means incremental recurrent expenditures incurred on account of the Project for the PCU contract staff remuneration, per diems, benefits, office supplies, fuel, maintenance of vehicles, maintenance of equipment, telephone and other communications charges, office rent, insurance for vehicles including motorcycles, office equipment and furniture, and banking fees, 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) expenditures under Category (4) for any Subproject unless such Subproject has been approved by the Association in accordance with, and subject to, the provisions of the Project Implementation Manual, including the eligibility criteria and terms and conditions set forth in the Project Implementation Manual.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for: (a) works, goods, and employment of consulting firms under contracts costing less than \$50,000 equivalent each; (b) employment of individual consultants under contracts costing less than \$20,000 equivalent each; and (c) training, studies, and operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. Each application by the Borrower for withdrawal shall be deemed to be a request to withdraw funds from the IFAD loan account and the funds to be withdrawn pursuant to such application shall be apportioned by the Association, as nearly as practicable under the circumstances, between the IFAD Loan and the Credit in the ratio of 15:85 or such other ratio as shall be agreed upon between IFAD and the Association.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in reducing poverty and promoting sustainable development through support to a decentralized and participatory rural development strategy aimed at: (a) improving the provision of services and socio-economic infrastructure; and (b) building the capacity of civil society and decentralized institutions.

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: Local Capacity Building

1. Strengthening the capacity of local communities for the participatory management of their development, the execution of Subprojects, and the monitoring and evaluation of the overall implementation of the Project, through the provision of technical advisory services, training, and the acquisition of equipment, as set forth in the Project Implementation Manual.

2. Carrying out: (a) IEC activities (including on HIV/AIDS) related to the objectives, working principles, and activities of the Program; and (b) literacy campaigns.

Part B: Local Investment Fund

The establishment of a local investment fund to provide Grants to Beneficiaries for the carrying out of Subprojects, including, inter alia, (a) soil and water conservation works; (b) reforestation and forest management; (c) structural support for improving livestock production; (d) structural support for improving agricultural production; (e) water supply infrastructure works; (f) roads infrastructure works; (g) social and economic infrastructure; (h) renewable energy; (i) nutrition and health education; and (j) AIDS/HIV prevention and mitigation activities.

Part C: Institutional Capacity Building

1. Facilitating the process of rural decentralization by strengthening the capacity of national entities and institutions engaged in the design and implementation of decentralization policies, through the provision of technical advisory services, training, equipment and civil works.

2. Design and implementation of decentralized management models, including fiscal instruments for rural areas for the purpose of developing modalities to implement proposed reforms, through the provision of technical advisory services and equipment, as well as the carrying out of studies.

Part D: Pilot Operations Relating to Land Tenure Security

1. The carrying out of pilot operations to define, and propose, on the basis of concrete and participatory experimentation in the field, an institutional, legal, technical, and methodological framework for improving land tenure security in rural areas, through the provision of technical advisory services, equipment, and training.

2. Strengthening of the Borrower's national land tenure security strategy.

Part E: Administration, Monitoring and Coordination

(a) Support to the National Coordination Forum for Decentralized Rural Development for the: (i) harmonization of the different approaches to decentralized and participatory rural development, (ii) monitoring and "capitalization" of the different land tenure security pilots, and (iii) coordination and monitoring of activities relating to the Borrower's decentralized rural development strategy.

(b) Support to the Project Coordination Unit for the management, monitoring, and coordination of activities relating to the implementation of the Project through the: (i) provision of technical support services, financing of operating costs, vehicles, and equipment, civil works and provision of training to said Unit; and (ii) installation of an integrated financial management and monitoring system at said Unit.

* * *

The Project is expected to be completed by December 31, 2005.

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, September 1997 and January 1999 (the Guidelines) and 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, 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 \$100,000 equivalent or more each.

(b) Preference for Domestically Manufactured Goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works estimated to cost less than \$500,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$700,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National and International Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 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. Where such goods are not available, they 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. Solicitations will be issued in writing to at least three reputable suppliers.

3. Procurement from UN Agencies

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured by IAPSO or by UNIPAC in accordance with the provisions of paragraph 3.9 of the Guidelines.

4. Community Participation

Goods and works required for Subprojects under Part B of the Project shall be procured in accordance with procedures acceptable to the Association.

5. Procurement of Small Works

Works estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$700,000 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 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 each contract for goods and works 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. Subprojects estimated to cost the equivalent of \$50,000 or more and executed at the provincial level shall be subject to prior review by the Association. Afterwards, provided that an evaluation of the procurement procedures is found satisfactory and approved by the Association, such evaluation to occur not later than the date of the Midterm Review, only Subprojects in excess of \$100,000 or non-standard Subprojects (i.e., Subprojects for which no detailed description has been cleared by the Association as part of the Manual of Procedures) will be subject to prior review by the Association.

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 and January 1999 (the Consultant Guidelines) and the following provisions 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

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

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The shortlist of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-Cost Selection

Financial and technical audit services estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for architectural design, civil works supervision, and preparation of bidding documents estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single-Source Selection

Local community support services which are estimated to cost less than \$5,000 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 for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines (including seminars and small studies) shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

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

2. Prior Review

(a) With respect to (i) each contract for the employment of (A) consulting firms estimated to cost the equivalent of \$100,000 or more, and (B) individual consultants estimated to cost the equivalent of \$50,000 or more; (ii) the terms of reference of consulting services and training; (iii) each contract for services to be procured using single-source selection procedures; (iv) consulting services for critical assignment, as determined by the Association; and (v) amendments to each contract for consulting services raising the estimated cost above the prior threshold amounts in this subparagraph (a), the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, 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.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$20,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

General

1. Project Implementation Manual

(a) The Borrower shall prepare and furnish to the Association a Project Implementation Manual in a form and substance satisfactory to the Association.

(b) The Borrower shall carry out the Project in accordance with the Project Implementation Manual, and except as the Association shall otherwise agree, shall not amend or waive any provision of the Project Implementation Manual, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the carrying out of the Project.

2. Performance Indicators, Annual and Midterm Review

(a) The Borrower shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the Project Implementation Manual, the carrying out of the Project and the achievement of the objectives thereof.

(b) The Borrower shall carry out by December 31, 2001 a baseline survey of the populations living in the Project area in accordance with the terms of reference detailed in the Project Implementation Manual.

(c) The Borrower shall furnish to the Association for its review and comments:

- (i) not later than November 30 of each year, commencing on November 30, 2000, or such later date as the Association may agree, until the completion of the Project, the draft work program with detailed indicators and calendar, and the related procurement plan and budget for the next Fiscal Year; and

- (ii) not later than March 31 of each year, commencing on March 31, 2001, or such later date as the Association may agree, until the completion of the Project, an annual report setting forth, inter alia, (A) a summary of the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph, and (B) progress achieved in the carrying out of the Project, including an analysis of any divergence between planned and actual outcomes.

- (d) (i) By April 30 of each year, commencing April 30, 2001, or such later date as the Association may agree, the Borrower and the Association shall carry out an annual review of the Project (the Annual Review); such Annual Review shall cover the progress achieved in the execution of the Project, including, inter alia, the proposed work program and related budgets to be carried out during the following year.

(ii) Following the said Annual Review, the Borrower shall carry out the said work programs in accordance with the modalities and procedures approved by the Association and in accordance with the Project Implementation Manual.

(e) By December 31, 2003, or such later date as the Borrower and the Association shall agree upon, the Borrower and the Association shall carry out a Midterm Review.

- (i) The Borrower shall take all necessary actions to ensure the participation of Donors, NGOs, and Beneficiaries in this Midterm Review. The Midterm Review shall cover the progress achieved in the implementation of the Project.

(ii) The Borrower shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about September 30, 2003, 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

(iii) Not later than October 31, 2003, the Borrower shall furnish to all Donors, including the Association, for their review and comments, a report, in such detail as the Association shall reasonably request, on the implementation of the Project.

3. National Coordination Forum for Decentralized Rural Development

(a) The Borrower shall establish before September 30, 2001, and thereafter maintain in a form and with functions, staffing, and resources satisfactory to the Association, the National Coordination Forum for Decentralized Rural Development.

(b) The National Coordination Forum for Decentralized Rural Development shall be responsible for the exchange of ideas and experiences with a goal of harmonization of approaches to decentralization and participatory rural development, as well as the monitoring of the overall progress of the Program.

4. Project Steering Committee

(a) The Borrower shall maintain the Project Steering Committee in a form and with functions and resources satisfactory to the Association.

(b) The Project Steering Committee shall be responsible for guiding the Project's implementation and reviewing and approving the annual work programs and budgets.

5. Project Coordination Unit

(a) The Borrower shall maintain the PCU in a form and with functions and resources satisfactory to the Association. The Borrower shall recruit and assign to the PCU the following personnel with qualifications and experience satisfactory to the Association: (i) a program coordinator; (ii) a financial management specialist and two accountants; and (iii) a monitoring and evaluation specialist.

(b) The PCU shall be responsible for the responsible for the day-to-day implementation of the Project.

6. Ministerial and Provincial Procurement Commissions

The Borrower, in order to facilitate procurement under the Project, shall maintain the Ministerial and Provincial Procurement Commissions in a form and with functions and resources satisfactory to the Association.

Local Investment Fund

7. Eligibility Criteria for Subprojects

Without limitation on the provisions of paragraph 1 (b) above, no Subproject shall be eligible for financing out of the proceeds of the Credit unless the PCU shall have determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Project Implementation Manual, that the Subproject satisfies the eligibility criteria specified in more detail in the Project Implementation Manual, which shall include the following:

(a) the Subproject shall be for social and economic infrastructure and services, including primary health, basic education, rural water supply, feeder roads, natural resource management activities, and the construction of markets and granaries;

(b) the Subproject shall be implemented by a duly represented Beneficiary;

(c) the Subproject shall be economically, financially, and technically viable in accordance with the standards specified in the Project Implementation Manual;

(d) except as the Association shall otherwise agree, the Beneficiary shall provide not less than 20% of the estimated costs of the Subproject in the form of cash, materials, labor, or other services; and

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

8. Terms and Conditions of Grants made under the Local Investment Fund

For the purposes of funding annual investment programs, the Borrower shall enter into appropriate arrangements with the Beneficiaries under terms and conditions described in the Project Implementation Manual and satisfactory to the Association, which shall include the following:

(a) the Beneficiaries shall carry out, operate, and manage the Subprojects for which the Grant is made with due diligence and efficiency and in accordance with sound technical, financial, managerial, and environmental standards and practices;

(b) the Beneficiaries shall maintain adequate records for each Subproject;

(c) the Beneficiaries shall ensure that all goods, works, and services to be financed out of the proceeds of the Grant are procured at a reasonable price, account being taken also of other relevant factors such as: (i) time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor; and (ii) in the case of services, the quality of such services and the competence of the parties rendering such services;

(d) the Beneficiaries shall use the goods, works, and services to be financed out of the proceeds of a Grant exclusively in the carrying out of the Subproject;

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

(f) the Beneficiaries shall provide all such information as the Association or the Borrower shall reasonably request relating to the foregoing and to the administration, operations, and financial condition of the Beneficiaries and to the benefits to be derived from the Subproject;

(g) the Borrower shall cause technical and financial audits to be carried out for the annual investment programs of the Beneficiaries. These audits are to be carried out on a regular basis at a frequency detailed in the annual work programs and are meant to verify the technical quality of investments made and the appropriateness of financial management procedures at the level of the Beneficiaries; and

(h) the Borrower shall suspend or terminate the right of the Beneficiaries to the use of the proceeds of the Grant upon failure by such Beneficiaries to perform their obligations under the Grant Agreement.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (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 CFAF 1,500,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to CFAF 750,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 16,000,000.

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

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

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

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account and the 90-Day Advance Accounts, 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 or any of the 90-Day Advance Accounts;

(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 and any of the 90-Day Advance Accounts 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 and any of the 90-Day Advance Accounts (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 and any of the 90-Day Advance Accounts 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 and any of the 90-Day Advance Accounts.

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

SCHEDULE 6

Performance Indicators

PLEASE SEE ORIGINAL FOR PERFORMANCE INDICATORS, FORMAT WAS INCORRECT



