

CONFOREMD COPY

CREDIT NUMBER 3982 SE

Development Credit Agreement

(Casamance Emergency Reconstruction Support Project)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 5, 2004

CREDIT NUMBER 3982 SE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 5, 2004, between REPUBLIC OF SENEGAL (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received from the Borrower a letter dated August 4, 2004, describing a program of actions to address the Emergency (as hereinafter defined) and restart social and economic activities in its *Casamance* Region (the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement (the Project), which forms part of the Program, has requested the Association to: (i) assist in the financing of the Project; and (ii) provide assistance in support of the Program during the execution thereof; 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 May 1, 2004) (the General Conditions), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

Section 5.08 of the General Conditions is amended to read as follows:

"Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association policy of requiring economy and efficiency in the use of the proceeds of its loans. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association".

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) “ANRAC” means Agence Nationale pour la Relance des Activités Economiques et Sociales en Casamance, an entity established pursuant to presidential decree No 2004. 822 dated July 1, 2004 of the Borrower for the coordination and implementation of the Borrower’s Program;

(b) “CBO” means a community-based organization, established and operating pursuant to the laws of the Borrower;

(c) “Comité de Pilotage du PRAESC” means the steering committee established by the Borrower for the monitoring and oversight of activities under the PRAESC (as hereinafter defined);

(d) “Conseil de surveillance” means the Board of overseers of ANRAC, consisting of representatives of the Borrower, responsible for defining strategic orientations for the development of the Casamance Region;

(e) “Directeur General” means the General Manager of ANRAC, responsible for the coordination of the implementation of Project’s activities;

(f) “EA” means the Environmental Assessment of Project activities prepared by the Borrower for purposes of implementing the Project;

(g) “Eligible Beneficiaries” means: (i) about 2,000 demobilized ex-combatants and their families; and (ii) displaced communities, families or individuals affected by the armed conflict, as determined by the Borrower pursuant to the relevant provisions of the PIM (as hereinafter defined);

(h) “Eligible Categories” means Categories (1) through (6) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

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

(j) “Emergency” means the extraordinary event centered in the Casamance region of the Borrower’s territory which, for the purposes of this Agreement, started in 1982, and was caused by the internal armed conflict which culminated in the cessation of hostilities agreement meetings of March 16 and 23, 2001, and the amnesty law of July 21, 2004;

(k) “EMP” means the Environmental Management Plan prepared by the Borrower for the mitigation of adverse environmental outcomes arising out of Project implementation;

(l) “Ex-combatant” means a demobilized combatant formerly engaged in the Emergency and who is to be the recipient of relocation expenses under Part A.1 (c) (i) of the Project, to be extended pursuant to procedures set forth in the PIM and conditions outlined in paragraph 3 (c) of Schedule 1 to this Agreement respectively;

(m) “FCFA” means Franc de la Communauté Financière Africaine, the currency of the Borrower;

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

(o) “Fiscal Year” and “FY” mean the fiscal year of the Borrower commencing January 1 and ending December 31;

(p) “Grant Agreement” means an agreement to be entered into between ANRAC and an Eligible Beneficiary for the implementation of a Subproject (as hereinafter defined);

(q) “Grant” means a grant made or proposed to be made to an Eligible Beneficiary under Part A.1 (c) (ii) of the Project for the carrying out of a Subproject;

(r) “IEC” means Information, Education, and Communication;

(s) “Joint Commission on Disarmament, Demobilization and Reintegration” and “JCDDR” mean a commission to be established by the Borrower under the Project, with membership, functions and mandate satisfactory to the Association, for purposes of implementing Part A (1) of the Project;

(t) “Loi, Ordonnance, Décret, Arrêté, Directive et Circulaire” mean laws and decrees of the Borrower, enacted either by the parliament, president or executive branch of the Borrower, pursuant to the Borrower’s Constitution;

(u) “MEF” means Ministère de l’Economie et des Finances, the Borrower’s Ministry of Economy and Finance;

(v) “NGO” means a Non-Governmental Organization, established and operating pursuant to the laws of the Borrower;

(w) “Procurement Plan” means the Borrower’s procurement plan, dated August 3, 2004, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the

provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation.

(x) “Programme de Relance des Activités Economiques et Sociales en Casamance” and “PRAESC” mean “the Program” as described in the Preamble to this Agreement;

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

(z) “Project Implementation Manual” and “PIM” mean the manual referred to in Section 7.01 (c) of this Agreement setting forth, inter alia: (a) detailed Project activities and institutional arrangements, (b) the procedures and guidelines for the coordination, management, monitoring and evaluation of the Project, including financial management and accounting procedures, training plans and capacity building programs, (c) eligibility criteria for: (i) Eligible Beneficiaries, (ii) the payment of relocation expenses; and (iii) Subprojects, and procedures for extending in relation thereto, and (d) detailed performance indicators, and all other activities and arrangements to be used for the purposes of implementing the Project, as the same may be amended from time to time with the Association’s prior written consent, and such term includes any schedules to the PIM;

(aa) “Project Implementation Plan” and “PIP” mean the document prepared by the Borrower for the Project and referred to in section 7.01 (c) of this Agreement;

(bb) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association and the Borrower on April 20, 2004;

(cc) “Regional Account” means the 90-day Advance Account referred to in Part B (1) of Schedule 1 to this Agreement;

(dd) “Relocation Expenses” means cash payment to be made to Ex-combatants pursuant to part A.1 (c) (i) of the Project;

(ee) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Credit Account referred to in Part A.4 of Schedule 1 to this Agreement;

(ff) “RPF” means the Resettlement Policy Framework prepared for the Project;

(gg) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement; and

(hh) "Subproject" means a specific training and capacity building activity for reinsertion and small income generation activity including the acquisition of small equipment in relation thereto, determined to be eligible pursuant to criteria set forth in the PIM to be carried out by, or for the benefit of, such Eligible Beneficiary, utilizing the proceeds of a Grant made under Part A.1 (c) (ii) of the Project;

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirteen million eight hundred thousand Special Drawing Rights (SDR 13,800,000).

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, to be paid) by ANRAC on account of withdrawals made for the benefit of Eligible Beneficiaries under Grant Agreements, to meet the reasonable cost of goods and services required for the implementation of a Subproject to be financed under Part A (1) of the Project, and in respect of which the withdrawal from the Credit Account is requested.

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

Section 2.03. The Closing Date shall be May 31, 2008 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates

as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 15 and July 15 commencing January 15, 2015 and ending July 15, 2044. Each installment to and including the installment payable on July 15, 2024 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the 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 through ANRAC with due diligence and efficiency and in conformity with appropriate financial, technical, engineering, administrative practices, and with due regard for environmental 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 (a) 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, as said provisions may be further elaborated in the Procurement Plan;

(b) The Borrower shall update the Procurement Plan in accordance with terms of reference acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

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

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the sustainability 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 to its obligations under Section 3.01 of this Agreement, the Borrower, for the purposes of making available its counterpart contribution to the financing of the Project, shall:

(a) open and maintain, for the duration of the Project, an account (the Project Account) in FCFA, in its Treasury Books, on terms and conditions satisfactory to the Association;

(b) promptly thereafter, make an initial deposit into the Project Account, in an amount equivalent to FCFA 35,000,000 (FCFA thirty-five million) to finance the Borrower's contribution to the Project;

(c) thereafter deposit FCFA 33,000,000 (FCFA thirty-three million) into the Project Account by each March 1, June 1, and September 1 in each Fiscal Year during Project implementation; and

(d) ensure that amounts deposited into the Project Account shall be used exclusively to make payments to meet expenditures made or to be made in respect of the reasonable cost of goods, works and services for the Project in addition to those financed from the proceeds of the Credit.

Section 3.05. In addition to Project costs financed from the proceed of the Credit, the Borrower shall assume responsibility for: (a) planning in its annual draft finance laws all capital and recurrent expenditures of ANRAC identified in its work programs for the following FY during Project implementation; and (b) financing effectively said capital and recurrent expenditures upon approval of the relevant finance laws by its parliament.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

- (b) The Borrower shall:
- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made, audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
 - (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
 - (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of reports referred to in Part A.4 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Borrower shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Schedule 4 to this Agreement, the Borrower shall prepare and

furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

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

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall cause ANRAC:

(a) to carry on its operations and conduct its affairs in accordance with sound administrative, financial, technical and engineering practices, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and

(b) at all times to operate and to maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and technical practices.

ARTICLE VI

Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out; and

(b) Presidential Decree No. 2004. 822 dated July 1, 2004 of the Borrower establishing ANRAC shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ANRAC to perform any of its obligations

ARTICLE VII

Effective Date; Termination

Section 7.01. 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: (i) established, in accordance with Section 4.01 of this Agreement, a financial management and accounting system for the Project satisfactory to the Association; and (ii) appointed external auditors with qualifications and experience satisfactory to the Association who are employed in accordance with the provisions of Section III of Schedule 3 to this Agreement;

(b) The Borrower has opened the Project Account pursuant to Section 3.04 (a) of this Agreement and has deposited therein the initial deposit referred to in Section 3.04 (b) of this Agreement;

(c) the Borrower has adopted the PIM and the PIP for the Project, in form and substance satisfactory to the Association;

(d) the Borrower has completed the work program for the first eighteen months of Project implementation, including the budget and the procurement plan, satisfactory in form and substance to the Association; and

(e) the Borrower has appointed to ANRAC: (i) a Project coordinator; (ii) a financial management specialist; and (iii) a procurement specialist, with qualifications and experience satisfactory to the Association, and has employed them in accordance with the provisions of Section III of Schedule 3 to this Agreement.

Section 7.02. 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 VIII

Representative of the Borrower; Addresses

Section 8.01. The Minister of the Borrower in charge of finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Economy and Finance
Rue René N'diaye
B.P. 4017
Dakar
Senegal

Cable address:	Telex:	Fascimile:
MINIFINANCES	3203 G Dakar	221-821-1630

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Dakar, Republic of Senegal, as of the day and year first above written.

REPUBLIC OF SENEGAL

By

/s/ Abdoulaye Diop

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Madani M. Tall

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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

<u>Categories</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	7,500,000	100 % of foreign expenditures and 90% of local expenditures
(2) Goods	280,000	100 % of foreign expenditures and 90% of local expenditures
(3) Consultants' services and audits	3,800,000	100 % of foreign expenditures and 90% of local expenditures
(4) Grants for Subprojects	530,000	100% of amounts disbursed
(5) Relocation Expenses	390,000	100% of amounts disbursed
(6) Operating Costs	230,000	100% of expenditures
(7) Refunding of Project Preparation Advance	410,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(8) Unallocated	660,000	
	<hr/>	
TOTAL	13,800,000	

=====

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 the incremental expenses incurred on account of Project implementation, management and monitoring, office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, office administration costs, Special Account banking charges, utilities, travel, per diem and supervision costs, salaries of locally contracted employees, but excluding salaries of officials of the Borrower's civil 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;

(b) expenditures under category (4) until and unless:

(i) the Joint Commission on Disarmament, Demobilization and Reintegration has been established, satisfactory to the Association; and

(ii) the Grants have been made in accordance with the procedures, terms and conditions referred to in the PIM and outlined in Schedule 4 to this agreement, as shall be evidenced by the first such 5 Grant Agreements furnished to the Association for its prior approval;

(c) expenditures under category (5), until and unless:

(i) the Joint Commission on Disarmament, Demobilization and Reintegration has been established, satisfactory to the Association;

(ii) contracts for the management and payment of relocation expenses to Ex-combatants have been entered into between the

Borrower and Financial institutions, acceptable to the Association;

- (iii) a list of Ex-Combatants has been established and certified by the JCDDR; and
- (iv) the information referred to in paragraph 5 of Schedule 4 to this Agreement has been furnished to the Association, in form and substance satisfactory to the Association.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$150,000 equivalent per contract; (b) works costing less than \$500,000 equivalent per contract; (c) services of individual consultants costing less than \$50,000 equivalent per contract; (d) services of consulting firms under contracts costing less than \$100,000 equivalent per contract; (e) services other than consultant services costing less than \$30,000 equivalent per contract; (f) Grants costing less than \$50,000 per Grant Agreement; and (g) relocation expenses, all under such terms and conditions as the Association shall specify by notice to the Borrower.

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

B. Special Account

1. The Borrower may open and maintain: (i) in FCFA a special deposit account in a commercial Bank acceptable to the Association; and (ii) a 90-Day Advance Account (the Regional Account) in a commercial bank of the *Casamance* Region, all 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 the Regional Account shall be made in accordance with the provisions of Part B of this Schedule.

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

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

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

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

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

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.4 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account and the Regional Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account and the Regional Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the

Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

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

**Annex A
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of FCFA 1,000,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to FCFA 500,000,000 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 3,000,000.

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

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

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

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining

unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

4. Regional Account:

(a) The Borrower shall withdraw from the Special Account and deposit into the Regional Account sufficient funds to facilitate implementation of the Project, provided that the Borrower shall at no time cause the amount held in the Regional Account to exceed the equivalent of FCFA 50,000,000.

(b) Payments out of the Regional Account shall only be made for eligible expenditures in respect of Categories (1) through (6) set forth in the table in Schedule 1 to this Agreement.

(c) Any withdrawal from the Regional Account must be justified to the Borrower by the same documentation and other evidence regarding eligible expenditures provided for under paragraph 2 of Annex A to this Schedule.

(d) If the Association or the Borrower shall have determined at any time that any amount outstanding the Regional Account will not be required to cover further payments for eligible expenditures, the Borrower shall promptly upon notice from the Association or the Eligible Beneficiary, refund to the Special Account such outstanding amount.

**Annex B
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are
Report-based Disbursements**

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.4 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in: (i) providing post-conflict demobilization and reintegration activities to ex-combatants and conflict victims of the Emergency in the *Casamance* Region; (ii) reconstructing and rehabilitating physical and social infrastructure in the *Casamance* Region; and (iii) preparing a long term development Program for the *Casamance* Region within the overall context of the Borrower's development policy of its territory.

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: Demobilization, Reinsertion and Reintegration

1. Conducting a proper physical and mental discharge of ex-combatants through:
 - (a) the establishment of demobilization centers for the registration of ex-combatants, and the carrying out of counseling activities;
 - (b) the provision of technical advisory services for the carrying out of health and trauma clinics and related activities, including HIV/AIDS prevention and counseling activities; and
 - (c) support for the relocation and reinsertion in their communities of Eligible Beneficiaries through: (i) the payment of Relocation Expenses; and (ii) the provision of Grants for the carrying out of Subprojects in capacity building for income generating purposes, including the acquisition of small equipment in relation thereto.
2. Supporting the return of Eligible Beneficiaries to civilian life and to the social environment of their communities, including the provision of technical advisory services to the communities for facilitating the social reinsertion of ex-combatants in their midst.
3. The provision of technical advisory services for advising Eligible Beneficiaries on existing professional and economic activities, including, *inter alia*, agriculture, agro-processing small industries, trade, tourism, livestock and fishing sectors.

Part B: Infrastructure Reconstruction and Rehabilitation

Carrying out the reconstruction and rehabilitation of social, economic and cultural infrastructure, including transport, health and education facilities, damaged by war or neglect.

Part C: Sustainability of Casamance Development Program

Ensuring the continued achievement of Program's objectives, through the carrying out of preparation and design studies in, *inter alia*, hydraulics, land tenure, transport, tourism, private sector development, environmental and natural resources, for the long-term development of the *Casamance* Region and the implementation of the second phase of the Borrower's Program for the *Casamance* Region.

* * *

The Project is expected to be completed by November 30, 2007.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Section I, paragraphs 3.15 through 3.20, and Section IV of, and Appendix 2 to the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of international competitive bidding in accordance with the provisions of Section II and paragraphs 3.14 and 3.15 of the Procurement Guidelines, and the following additional procedures:

Domestic Preference. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines and Appendix 2 thereto, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$200,000 equivalent per contract and works estimated to cost less than \$1,000,000 equivalent per contract, may be procured under contracts awarded on the basis of national competitive bidding in accordance with the provisions of paragraphs 3.1, 3.3, 3.4, 3.14 and 3.15 of the Procurement Guidelines

2. Shopping. Goods and works estimated to cost less than \$50,000 equivalent per contract respectively, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.1 and 3.5 of the Guidelines.

3. Direct Contracting. Goods and works which meet the requirements for direct contracting referred to in paragraphs 3.1, 3.6 and 3.7 of the Procurement Guidelines may, with the Bank's prior agreement, be procured in accordance with the provisions of said paragraphs.

4. Procurement from UN Agencies. Goods may be procured directly from the Inter-Agency Procurement Services Office of the United Nations in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

5. Community Participation. Goods and services required for Part A. (1) (c) (ii) of the Project may be procured on the basis of community participation in accordance with procedures acceptable to the Association.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of quality and cost in accordance with the provisions of Section II of the Consultant Guidelines. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Selection Based on Consultants' Qualifications. 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, 3.7 and 3.8 of the Consultant Guidelines.

2. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for single source selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

3. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis in accordance with the provisions of said paragraph 5.4, subject to prior approval of the Bank.

Section IV. Review by the Bank of Procurement Decisions

A. Prior Review. Except as the Bank shall otherwise determine by notice to the Borrower, the following prior review procedures shall apply:

1. Goods, Works and Services (other than Consultants' Services).

(a) The prior review procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Procurement Guidelines shall apply to each contract for goods, works

and services (other than consultants' services) estimated to cost the equivalent of, respectively, \$150,000, \$500,000 and \$30,000 or more, procured on the basis of international competitive bidding, or national competitive bidding.

(b) The following prior review procedures shall apply to each contract to be procured on the basis of direct contracting: (i) prior to the execution of the contract, the Borrower shall provide to the Bank a copy of the specifications and the draft contract for its approval; (ii) the contract shall be awarded only after the Bank's approval shall have been given; and (iii) the procedures set forth in paragraphs 2(h) and 3 of Appendix 1 to the Guidelines shall apply.

2. Consultants' Services Provided by Firms.

(a) The prior review procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more.

(b) The following prior review procedures shall apply to each contract for consultants' services provided by a firm to be procured on the basis of single source selection: (i) the qualifications, experience, terms of reference and conditions of employment of the consultants shall be furnished to the Bank for its prior review and approval; (ii) the contract shall be awarded only after the Bank's approval shall have been given; and (iii) the provisions of paragraphs 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

3. Consultants' Services Provided by Individual Consultants.

(a) The following prior review procedures shall apply to each contract for the employment of individual consultants (other than consultants to be selected on a sole source basis) estimated to cost the equivalent of \$50,000 or more: (i) the report on the comparison of the qualifications and experience of candidates, terms of reference and conditions of employment of the consultant shall be furnished to the Bank for its prior review and approval; (ii) the contract shall be awarded only after the Bank's approval shall have been given; and (iii) the provisions of paragraph 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

(b) The following prior review procedures shall apply to each contract for the employment of individual consultants to be selected on a sole source basis: (i) the qualifications, experience, terms of reference and conditions of employment of the consultants shall be furnished to the Bank for its prior review and approval; (ii) the contract shall be awarded only after the Bank's approval shall have been given; and (iii) the provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall apply to the contract."

B. Post Review

1. With respect to each contract for goods, works or services (other than consultants' services) not governed by Part A of this Section, the post review procedures set forth in paragraph 4 of Appendix 1 to the Procurement Guidelines shall apply.

2. In respect to each contract for consultants' services not governed by Part A of this Section, the post review procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

Institutional Arrangements

1. The Borrower shall maintain until completion of the Project:
 - (a) *Conseil de Surveillance*:
 - (i) as the Board of overseers responsible for the orientation of all strategic economic and social developmental activities in the *Casamance* Region; and
 - (ii) with permanent membership consisting of representatives of the Borrower.
 - (b) *Comité de Pilotage du PRAESC*:
 - (i) as the steering committee responsible for monitoring and overseeing the implementation of PRAESC; and
 - (ii) with permanent membership drawn from representatives of the Borrower and the other parties to the Emergency, civil society, including NGOs, and the private sector, all with equal representation rights.
 - (c) *ANRAC*:
 - (i) responsible for the coordination of Project activities, including financial management, reporting and procurement in respect thereof;
 - (ii) with staff having and maintaining throughout Project implementation qualifications, experience, work performance, professional and ethical standards satisfactory to the Association, including, *inter alia*, a monitoring and evaluation specialist, a conflict early warning and prevention specialist, an environmental and social specialist, a Disarmament, Demobilization and Reinsertion specialist and an infrastructure rehabilitation specialist, all employed in accordance with the provisions of Section III of Schedule 3 to this Agreement; and
 - (iii) subject to the guidance and general oversight of the *Conseil de Surveillance* and Project activity monitoring of the *Comité de Pilotage du PRAESC*.

Execution Covenants

2. The Borrower shall establish the Joint Commission for Disarmament, Demobilization, Reinsertion and Reintegration of Ex-combatants:
 - (a) to agree on, and draw up the listing of ex-combatants, create criteria for their identification, and oversee all activities pertaining to the Disarmament, Demobilization, Reinsertion and Reintegration activities to be implemented under the Project; and
 - (b) with membership consisting of representatives of: (i) the Borrower; and (ii) the other parties to the Emergency.
3. The Borrower shall cause:
 - (a) the Project Coordinator, to prepare and furnish to the *Directeur General* of ANRAC monthly financial and technical reports on the carrying out of activities under the Project; and
 - (b) the *Directeur Général* to prepare and furnish:
 - (i) quarterly, to the *Comité de Pilotage du PRAESC*; and
 - (ii) semi-annually, to the *Conseil de Surveillance*, financial and technical reports on the carrying out of activities under the Project.
4. The Borrower shall carry out the Project in accordance with the PIM and the PIP, and shall not amend or waive any provision thereof which, in the opinion of the Association, shall materially or adversely impact the implementation of the Project.
5. (i) The process of identification and confirmation of the Ex-combatants; (ii) verification of the medical and social benefits; (iii) the relocation expenses under part A.1 (c) (i) of the Project; and (iv) the flow of funds to the Ex-combatants; and (v) the verification of the use of the funds for the purposes intended, shall all be in accordance with the provisions of the PIM.
6. The Borrower shall, within eighteen months of the Effective Date and semiannually thereafter, furnish to the Association: (a) a list of Eligible Beneficiaries for reinsertion purposes under part A.1 (c) (ii) of the Project, identifying the amount of the funds for each and the agreed purposes for such payments, including the goods and services to be acquired by said Eligible Beneficiaries, and (b) verification that the Eligible Beneficiaries have acquired the goods and services intended.
7. Without limitation to the provisions of paragraph 6 of this Schedule, no Subproject under Part A.1 (c) (ii) of the Project shall be eligible for financing out of the

proceeds of the Credit unless ANRAC shall have determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the PIM that the Subproject satisfies the eligibility criteria specified in the PIM, which shall include the following:

(a) the Subproject shall be for specific training and capacity building activities for reinsertion and reintegration, including the acquisition of small equipment in relation with training for the carrying out of income generating activities; and

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

8. In financing Subprojects, ANRAC shall enter into an agreement with the Eligible Beneficiary concerned under terms and conditions which shall include the following:

(a) financing shall be on a grant basis, not to exceed \$700 equivalent per Grant Agreement for the carrying out of a Subproject under Part A.1 (c) (ii) of the Project;

(b) the requirement that the goods and services to be financed out of the proceeds of the Grant be procured in conformity with the provisions of Schedule 3 to this Agreement relating to community participation, and that such goods and services be used exclusively in the carrying out of the Subproject;

(c) the right of ANRAC to inspect by itself or jointly with the Association the goods, works, and constructions included in the Subproject, the operation thereof and any record or relevant document; and

(d) the right of ANRAC to suspend or terminate the right of the Eligible Beneficiary to use the proceeds of the Credit upon its failure to perform any of its obligations under the agreement with ANRAC.

9. The Borrower shall: (i) not later than the first quarter after the launch of the disarmament, demobilization, reinsertion, and reintegration activities, and quarterly thereafter, carry out a review of activities under Part A(1) of the Project, including the financial execution thereof; (ii) furnish the information from such review to the Association; and (iii) following such review act promptly to take all measures identified by such review.

Monitoring and Evaluation

10. The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about January 31 and July 31 in each FY, 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, by March 1 and September 1 in each FY or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 5

(Performance Indicators)

For the purpose of this Agreement, the performance indicators to be used for Project implementation are as follows:

Part A of the Project:

- 100% of identified ex-combatants reintegrated; and
- 100% of persons identified as directly affected by the conflict have received support for reintegration.

Part B of the Project:

- 50 km of paved roads reinforced, 8 bridges rehabilitated or rebuilt, and 6 pontoon bridges built;
- 120 classroom rehabilitated and re-opened; and
- 50 health posts, 3 maternity clinics and the psychiatric clinic at Kénia rehabilitated.