

CONFORMED COPY

CREDIT NUMBER 3224 CV

Development Credit Agreement

(Social Sector Development Project)

between

REPUBLIC OF CAPE VERDE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 3, 1999

CREDIT NUMBER 3224 CV

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 3, 1999, between REPUBLIC OF CAPE VERDE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

WHEREAS the Association has received a letter dated April 14, 1999, from the Borrower describing a program of actions, objectives and policies designed to implement its national poverty alleviation program (the Program) and declaring the Borrower's commitment to the execution of the Program; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through December 2, 1997), with the modifications 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 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries."

(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) "Annual Reviews" means the annual reviews referred to in paragraph 4 of Schedule 4 to this Agreement;

(b) "Beneficiaries" means municipal committees, local communities or organizations determined to be eligible for a Subproject Grant (as hereinafter defined) in accordance with the eligibility criteria specified in Section II of Schedule 4 to this Agreement and in the PIP and to whom or for whose benefit a Subproject Grant is made or proposed to be made;

(c) "BCV" means Banco de Cabo Verde, the Borrower's Central Bank, established by the Borrower's Decree-Law (Decreto-Lei) No. 42/93, dated July 15, 1993;

(d) "Convention" or "Conventions" mean the agreement(s), in form and substance satisfactory to the Association, to be entered into by the Borrower and the Project Implementation Agencies (as hereinafter defined) pursuant to Section 3.01 (b) of this Agreement and Schedule 6 to this Agreement, setting forth the terms and conditions related to the execution of Parts A.1 and A.4 of the Project, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Convention;

(e) "Cape Verde Escudo" and "C.V. Esc." mean the currency of the Borrower;

(f) "FAIMO" means Frente de Alta Intensidade de Mão de Obra, the labor intensive public works program of the Borrower;

(g) "Initial Deposit" means an amount in C.V. Esc. equivalent to US\$40,000, referred to in Section 3.03 (b) of this Agreement;

(h) "Midterm Review" means the midterm review referred to in paragraph 4 of Schedule 4 to this Agreement;

(i) "Subproject" means an activity financed or to be financed in part out of the proceeds of the Credit under Part A.1 of the Project;

(j) "Subproject Grant" means a grant made or proposed to be made by the Project Implementation Agencies to Beneficiaries for the purpose of financing a Subproject under Part A.1 of the Project;

(k) "Subproject Grant Agreement" means an agreement between the Project Implementation Agencies and Beneficiaries setting forth the terms and conditions under

which a Subproject Grant shall be made available to the Beneficiaries for the purpose of financing a Subproject under Part A.1 of the Project;

(l) "NGO" means a nongovernmental organization;

(m) "NPAP" means the Borrower's national poverty alleviation program;

(n) "OVPM" means the Borrower's Office of the Vice Prime Minister;

(o) "PCU" means the Project Coordination Unit within OVPM which will be responsible for the overall coordination of the Project, established and operating under the Borrower's Decree No. 40-B/98 dated August 27, 1998 and referred to in paragraph 1 of Schedule 4 to this Agreement;

(p) "Project Account" means the account referred to in Section 3.03 (a) of this Agreement;

(q) "Project Implementation Plan" or "PIP" means the Project implementation plan, in form and substance satisfactory to the Association, referred to in paragraph 2 of Schedule 4 to this Agreement, containing, inter alia, work plans, monitoring and performance indicators, as well as the terms and conditions under which the Borrower will enter into Conventions with Project Implementation Agencies and outlining the procurement, disbursement, administrative, financial and other arrangements for the implementation of the Project, as the same may be amended from time to time in consultation with the Association, and such term includes any schedules to the PIP;

(r) "Project Implementation Agencies" means any agencies to which the Borrower will entrust the execution of Parts A.1 and A.4 of the Project, pursuant to a Convention;

(s) "Project Management Report" means each report prepared in accordance with Section 4.02 (b) of this Agreement;

(t) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a letter agreement between the Borrower and the Association, dated October 17, 1997 and countersigned by the Borrower on October 31, 1997; and

(u) "Special Account" means the account referred to in Section 2.02 (b) 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 eleven million nine hundred thousand Special Drawing Rights (SDR 11,900,000).

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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or, if the Association shall so agree, to be paid) by the Project Implementation Agencies on account of withdrawals made for the benefit of any Beneficiaries under Subproject Grant Agreements to meet the reasonable cost of goods, works and services required for Subprojects under Part A.1 of the Project, and 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 dollars a special deposit account in BCV on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of

the Borrower, withdraw from the Credit Account and pay to 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 August 31, 2003, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 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 March 15 and September 15, commencing September 15, 2009 and ending March 15, 2039. Each installment to, and including the installment payable on, March 15, 2019 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

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

(b) Parts A.1 and A.4 of the Project shall be carried out by the Borrower through the Project Implementation Agencies and, to that end, the Borrower shall, without any limitation or restriction upon any of its other obligations under this Agreement, cause the Project Implementation Agencies to perform, in accordance with the provisions of the PIP and Conventions, all the obligations of the Project Implementation Agencies therein set forth, take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Project Implementation Agencies to perform such obligations; and shall not take or cause to be taken any action which would prevent or interfere with such performance of the Project Implementation Agencies.

(c) the Borrower shall enter into Conventions with the Project Implementation Agencies, under which it shall make the proceeds of the Credit allocated from time to time to Categories (1) and (4) of the table in paragraph 1 of Schedule 1 to this Agreement, available to the Project Implementation Agencies on a non-reimbursable basis for the purposes of Parts A.1 and A.4 of the Project under terms and conditions which shall have been approved by the Association.

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

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

Section 3.03. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall, for the purposes of making available its counterpart contribution to the financing of the Project:

(a) open and maintain an account (the Project Account) in C.V. Esc. in BCV on terms and conditions satisfactory to the Association;

(b) promptly thereafter, deposit the Initial Deposit into such account to finance the Borrower's contribution to the Project;

(c) deposit into the Project Account, until the completion of the Project, such amounts as shall be required to replenish in a timely manner the Project Account in an amount equal to at least the expected expenditures of the following quarter; and

(d) use the Project Account funds exclusively to finance expenditures under the Project.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

Section 3.05. The Borrower shall furnish to the Association technical audit reports, in form and substance satisfactory to the Association, on the implementation of the Subprojects three months before each Annual Review.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain, or cause to be maintained, records and accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

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

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested.

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

(i) 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; and

(ii) 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 or Project Management Reports 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 its financial management system for the Project in order to enable the Borrower, not later than July 1, 2001, 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 quarter, a Project Management 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 event is specified, namely that, as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

#### 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 selected at least one Project Implementation Agency, satisfactory to the Association, to carry out Parts A.1 and A.4 of the Project during the first year of implementation of the Project and has entered into a Convention, in form and substance satisfactory to the Association, with such Project Implementation Agency;

(b) the Borrower has adopted the PIP, in form and substance satisfactory to the Association;

(c) the Borrower has established a computerized accounting and financial management system in the PCU, satisfactory to the Association;

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

(e) the Project Account has been opened and the Initial Deposit referred to in Section 3.03 (b) of this Agreement has been deposited therein; and

(f) the PCU has been established in accordance with the provisions of paragraph 1 (b) of Schedule 4 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





			expenditures and 90% of local expenditures
(3)	Consultants' services	1,630,000	100%
(4)	Training	370,000	90%
(5)	Operating Costs	80,000	90%
(6)	Refunding of Project Preparation Advance	670,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7)	Unallocated	740,000	
	TOTAL	11,900,000	

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; and

(c) the term "operating costs" means the incremental operating costs incurred on account of Project implementation, including office supplies and equipment, rental of office space, vehicle operation and maintenance, communication and travel costs, but excluding salaries of members 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; and

(b) a Subproject Grant unless such Subproject Grant has been made in accordance with the criteria and procedures and under the terms and conditions set forth or referred to in Section II of Schedule 4 to this Agreement and in the PIP.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for (i) goods and works under contracts costing less than \$100,000 equivalent each; (ii) consultants' services (firms) under contracts not exceeding \$100,000 equivalent; and (iii) consultants' services (individuals) under contracts not exceeding \$50,000 equivalent, all under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower to (a) alleviate poverty through the creation of employment opportunities; (b) strengthen its institutional capacity to coordinate, monitor and evaluate the NPAP; and (c) strengthen the capacities of municipalities, local communities, and NGOs in planning, implementing, and monitoring cost-effective poverty alleviation interventions.

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: Public Works and Employment Creation

1. Carrying out and monitoring by the Project Implementation Agencies of Subprojects, for the construction and rehabilitation of infrastructure and public

facilities, and community activities submitted by Beneficiaries.

2. Strengthening of the capacity of the Project Implementation Agencies to implement Parts A.1 and A.4 of the Project, through the provision of training of its personnel, studies, and technical advisory services.

3. Design and implementation of a communications program to strengthen the Project Implementation Agencies' capacity to communicate information about the Program to the public.

4. Provision of training and technical advisory services to assist local small entrepreneurs, FAIMO workers, municipal workers, and NGOs to improve their contract management skills.

Part B: Institutional Capacity Building and Monitoring and Evaluation

1. Strengthening of the capacity of the PCU to coordinate, supervise, and monitor the execution of the Project, through the provision of training of its personnel, studies, technical advisory services, and the acquisition of equipment.

2. Strengthening the capacity of the Borrower to undertake poverty monitoring and analysis activities through the provision of technical advisory services and training.

3. Establishment of an independent and external monitoring and evaluation system to monitor the performance of the Project Implementing Agencies and overall Project implementation, as well as the implementation of the Subprojects, and the design of a program to overcome any constraints encountered during the implementation of the Project, through the provision of technical advisory services.

\* \* \*

The Project is expected to be completed by February 28, 2003.

### SCHEDULE 3

#### Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 and September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines); and (b) the provisions of the following Parts of this Section I.

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

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, 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. Grouping of Contracts To the extent practicable, contracts for goods and works shall be grouped, respectively, in bid packages estimated to cost \$5,000 (goods) and \$50,000 (works) equivalent or more each.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works under Part A of the Project estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$10,300,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods under Part A of the Project estimated to cost less than \$10,000 equivalent per contract, up to an aggregate amount not to exceed \$20,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works under Part A of the Project estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$2,600,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from at least 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. Pre-qualification shall be widely advertised in the local press (all islands) and updated every six months. Qualification criteria, scope of works to be completed during the next twelve months and their location, shall be made known to all candidates.

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

With respect to each contract estimated to cost the equivalent of \$100,000 or more for goods and works, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999, subject to the modifications set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

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

Part B: Quality- and Cost-Based Selection

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 \$50,000 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

Services for audits of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Single-Source Selection

Services for small assignments (e.g., land surveys) which are estimated to cost less than \$5,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, 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.

3. Selection Based on Consultants' Qualifications

Services for studies and construction supervision estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines. The Project Implementation Agencies will maintain and update a list of qualified firms following advertisement in order to obtain expressions of interest, as described in the PIP.

4. Individual Consultants Services for lectures and small studies which do not require team work, up to an aggregate amount not to exceed \$180,000 equivalent, 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 consultant 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 each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 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

Section I: General

1. PCU

(a) The Borrower shall maintain the PCU, in a form and with functions satisfactory to the Association, until the completion of the Project.

(b) The PCU shall maintain, until the completion of the Project, a project coordinator and competent staff in adequate numbers, all with terms of reference, qualifications, and experience acceptable to the Association, and an accountant who shall be employed in accordance with the provisions of Section II of Schedule 3 to this Agreement. The project coordinator shall be responsible for the supervision and coordination of the day-to-day management of the Project. The accountant shall, inter alia, assist the Borrower in the carrying out of the obligations set forth in Section 4.01 (a) of this Agreement.

2. PIP

The Borrower shall carry out the Project and cause the Project Implementation Agencies to carry out Parts A.1 and A.4 of the Project in accordance with procedures set out in the PIP and the Conventions and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

3. Project Implementation Agencies

The Project Implementation Agencies shall maintain, until the completion of the Project, competent staff in adequate numbers, all with terms of reference, qualifications, and experience acceptable to the Association, including (i) a director general; (ii) an administrative director; and (iii) a technical director who shall be employed in accordance with the provisions of Section II of Schedule 3 to this Agreement.

4. Performance Indicators, Annual Reviews and Midterm Review

The Borrower shall:

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

(b) carry out, jointly with the Association and the Project Implementation Agencies, (i) not later than September 30, 2000 and September 30, 2003, the Annual Reviews; and (ii) not later than September 30, 2001, the Midterm Review. The Annual Reviews and the Midterm Review shall cover, among other things (A) progress made in meeting the Project's objectives; and (B) overall Project performance as measured against Project performance indicators;

(c) The Borrower shall, at least three (3) weeks prior to the Annual Reviews and the Midterm Review, furnish to the Association a report describing the status of the items listed in paragraph (a) above and of Project implementation generally; and

(d) The Borrower shall, not later than four (4) weeks after the Annual Reviews and the Midterm Review, prepare an action program, acceptable to the

Association, for further implementation of the Project having regard to the findings of the Annual Reviews and the Midterm Review and, thereafter, implement such action program.

## Section II: Part A.1 of the Project/Subprojects

### 1. Eligibility Criteria for Subprojects

No Subproject shall be eligible for financing out of the proceeds of this Credit unless the Project Implementation Agency has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the PIP, that the Subproject satisfies the eligibility criteria specified in the PIP, including, in particular, the following:

(a) the Subprojects shall be for basic infrastructure services and public facilities (including water supply, small roads, sanitation systems, rehabilitation of schools, health centers, and markets), as well as community demand-driven, small-scale social infrastructure, including training of NGOs, communities, and municipalities in participatory approaches, microproject preparation, and management;

(b) the Subproject shall be initiated by Beneficiaries;

(c) the Subproject shall be targeted at lower income group Beneficiaries;

(d) the Subproject shall be designed in such a way that its mode of implementation is labor-intensive and provides maximum employment opportunities within sound economic parameters;

(e) the Subproject shall be designed in such a way that its operation and maintenance shall be sustainable; and

(f) 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, as well as the Association's applicable guidelines.

### 2. Terms and Conditions Regarding Subprojects

Subprojects shall be carried out pursuant to Subproject Grant Agreements, to be concluded between the Project Implementation Agencies and the legally established and authorized representative or representatives of the Beneficiaries, under terms and conditions satisfactory to the Association, which, inter alia, shall include the following:

(a) financing by the Project Implementation Agencies on a grant basis, except that all Beneficiaries shall make a contribution as provided for in the PIP;

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

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

(d) the right of the Project Implementation Agencies to inspect by themselves, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants, and construction included in the Subproject, the operations thereof, and any relevant records and documents;

(e) the right of the Project Implementation Agencies to obtain all information as the Project Implementation Agencies or the Association shall reasonably request regarding the administration, operation, and financial condition of the Subproject; and

(f) the right of the Project Implementation Agencies to suspend or terminate the right of the Beneficiaries to use the proceeds of the Credit for the Subproject upon the failure by the Beneficiaries to perform any of their obligations under the relevant 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 \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

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

#### SCHEDULE 6

##### Terms and Conditions of Conventions Required Pursuant to Section 3.01 (b) of this Agreement

The terms and conditions of the Conventions shall include, inter alia, the following obligations of the Project Implementation Agencies to:

(a) carry out Parts A.1 and A.4 of the Project with due diligence and efficiency, in conformity with appropriate administrative, financial and engineering practices, with due regard to environmental factors, and in accordance with the PIP; and provide, or cause to be provided, promptly as needed, the facilities, services, and other resources required for Parts A.1 and A.4 of the Project;

(b) comply with the procedures for the procurement of goods and works set forth in Schedule 3 to this Agreement;

(c) comply with record keeping, auditing and report requirements set forth in Section 4.01 of this Agreement, with respect to Parts A.1 and A.4 of the Project, including the annual auditing of its accounts and financial statements (balance



sheets, statements of income and expenses, and related statements);

(d) carry out its operations and conduct its affairs in accordance with sound administrative, financial, environmental, and engineering practices;

(e) take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice;

(f) carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07, and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A.1 and A.4 of the Project;

(g) participate in the Midterm Review related to the carrying out of Parts A.1 and A.4 of the Project, and thereafter prepare and implement an action plan, satisfactory to the Association, for the further implementation of Parts A.1 and A.4 of the Project;

(h) at the request of the Borrower or the Association, exchange views with the Borrower and the Association with regard to the progress of Parts A.1 and A.4 of the Project and the performance of its obligations under the Conventions,

(i) promptly inform the Borrower and the Association of any condition which interferes or threatens to interfere with the progress of Parts A.1 and A.4 of the Project, or the performance by the Project Implementation Agencies of their obligations under the Conventions; and

(j) except as the Borrower and the Association shall otherwise agree, neither take nor concur in any action which would have the effect of amending, abrogating, assigning or waiving the Conventions or any provision thereof.

