

CONFORMED COPY

CREDIT NUMBER 3138-RW

Development Credit Agreement

(Community Reintegration and Development Project)

between

RWANDESE REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 11, 1998

CREDIT NUMBER 3138-RW

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 11, 1998, between RWANDESE REPUBLIC (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

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), constitute an integral part of this Agreement.

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

(a) "Beneficiary" means: (i) a community represented by a Community Development Committee (as hereinafter defined) to which or for whose benefit a Grant (as hereinafter defined) is made, or proposed to be made; or (ii) a Community-Based Group (as hereinafter defined) to whom or for whose benefit a Sub-grant (as hereinafter defined) is made or proposed to be made;

(b) "Commune" means a legal entity of the Borrower, established pursuant to the Law of November 23, 1963, as amended, on Communal Organization, to exercise limited jurisdiction over a designated area and population within the territory of the Borrower;

(c) "Community-Based Group" means any group of two or more individuals residing in a Participating Commune that organizes itself for the purpose of submitting and implementing a Sub-project (as hereinafter defined) under Part A(ii) of the Project;

(d) "Community Development Committee" means a committee made of members of the administration of a Participating Commune (as hereinafter defined) and elected representatives of its civil society, established and operating under the laws of the Borrower as an autonomous entity with the required legal capacity and attributions to carry out all its activities regarding the implementation of the Project (as hereinafter defined);

(e) "Community Development Plan" means a plan prepared by the Community Development Committee of a Participating Commune (as hereinafter defined) for purposes of the implementation of the Project, in accordance with the criteria set forth in sub-paragraph II.2(d) of Schedule 4 to this Agreement;

(f) "Grant" means a grant made or proposed to be made by the Borrower to a Community Development Committee for the purpose of financing Sub-projects (as hereinafter defined) under Part A of the Project;

(g) "Grant Agreement" means an agreement between the Borrower represented by PCMU (as hereinafter defined) and a Community Development Committee setting forth the terms and conditions under which proceeds of the Credit shall be made available to a Community Development Committee for the purpose of financing Sub-projects (as hereinafter defined) under Part A of the Project;

(h) "IAPSO" means the Inter-Agency Procurement Services Office of the United Nations;

(i) "MINECOFIN" means the Borrower's Ministry of Finance and Economic Planning;

(j) "MININTER" means the Borrower's Ministry of the Interior, Communal Development and Resettlement;

(k) "Participating Commune" means a Commune of the Borrower selected in accordance with the criteria set forth in sub-paragraph II.1(a) of Schedule 4 to this Agreement;

(l) "Partner Agency" means a non-governmental organization or other public or private entity established and operating under the laws of the Borrower, selected in accordance with the criteria specified in sub-paragraph II.2(b) of Schedule 4 to this Agreement to assist: (i) Community Development Committees of Participating Communes in the preparation and implementation of Community Development Plans or Sub-projects (as hereinafter defined) under Part A(i) and (iii) of the Project; or (ii) Community-Based Groups in the preparation and implementation of Sub-projects under Part A(ii) of the Project;

(m) "Prefectoral Administration" means the officials appointed by the central Government of the Borrower pursuant to Decree- Law No. 10/75 of March 11, 1975, as

amended, to represent it in, and participate in the administration of, designated Prefectures;

(n) "PCMU" means the Project Coordination and Monitoring Unit established within MININTER for the purposes of the coordination and monitoring of the Project in accordance with the provisions of Paragraph I.1 of Schedule 4 to this Agreement;

(o) "Project Implementation Manual" means the manual referred to in sub-paragraph I.3 of Schedule 4 to this Agreement and comprising the policies, procedures and guidelines which shall be followed by the Borrower in the implementation of the Project;

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

(q) "Sub-grant" means a grant made or proposed to be made by a Community Development Committee to a Community-Based Group for the purpose of financing a Sub-project (as hereinafter defined) under Part A(ii) of the Project; and

(r) "Sub-project" means a reintegration or development activity proposed by a Community Development Committee or a Community-Based Group, within the scope defined in Part A of the Project and financed or to be financed out of the proceeds of the Credit.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to three million seven hundred thousand Special Drawing Rights (SDR 3,700,000).

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, amounts to be paid by the Borrower on account of withdrawals made for the benefit of a Beneficiary to meet the reasonable cost of goods and services required for Sub-projects to be financed under Part A of the Project in respect of which withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in its Central Bank 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.

Section 2.03. The Closing Date shall be December 31, 2001 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

(c) The commitment charge shall be paid: (i) at such places as the

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

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

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

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15, commencing December 15, 2008, and ending June 15, 2038. Each installment to and including the installment payable on June 15, 2018 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

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

ARTICLE III

Execution of the Project

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

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

Schedule 4 to this Agreement.

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

Section 3.03. For the purposes of Section 9.07 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 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.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

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

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

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

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

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

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

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

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

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01(b) of the General Conditions:

(a) the Borrower has established a PCMU and appointed staff thereto having experience and qualifications satisfactory to the Association, including a national coordinator for the Project, an accountant and at least one of the project officers, in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(b) the Borrower has established an adequate financial management system, satisfactory to the Association to ensure proper monitoring of the Project activities; and

(c) the Borrower has adopted, in accordance with its laws and regulations, detailed rules, satisfactory to the Association, setting forth the conditions for the establishment of Community Development Committees and the modalities of their operation.

Section 5.02. The date sixty (60) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and Economic Planning
P.O Box 158
Kigali
Rwandese Republic

Cable address:	Telex:
MINFIN-RWANDA	22687
MINFIN-RAW	

For the Association:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address:	Telex:
INDEVAS	248423 (MCI) or
Washington, DC	64145 (MCI)

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

RWANDESE REPUBLIC

By /s/ Théogène Rudasingwa

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto E. Madavo

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Grants for Sub-projects under Part A of the Project	2,930,000	95% of amounts disbursed
(2) Goods under Part D of the Project	62,000	100% of foreign expenditures and 90% of local expenditures
(3) Consultants' services, training and audit	333,000	100%
(4) Incremental operating costs	215,000	83%
(5) Unallocated	160,000	
TOTAL	3,700,000	

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 "incremental operating costs" means the incremental expenses incurred on account of Project implementation, management and monitoring, including office supplies, office administration and telecommunications, special account banking charges, vehicle operation, travel and supervision costs 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: (i) payments made for expenditures prior to the date of this Agreement, and (ii) payments under Category (1) until and unless the Grant has been made in accordance with the eligibility criteria, procedures and terms and conditions set forth or referred to in sub-paragraph II.2(f) of Schedule 4 to this Agreement and

in more detail in the Project Implementation Manual.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for Sub-projects, equipment and vehicles, consultants' services and incremental operating costs under contracts not exceeding \$15,000 equivalent, 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: (a) to assist returnees and other vulnerable groups through a process of community-based reintegration and development; and (b) to strengthen the capacity of local communities and the administration at the communal and national levels for the implementation of development projects.

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: Community Reintegration and Development

Provision of Grants for the financing of reintegration and development activities related to: (i) social and economic infrastructure, including health, education and transport infrastructure; (ii) income-generating projects; and (iii) specialized training based on the local needs of the Community Development Committees and the administration of the Participating Communes and office rehabilitation through acquisition of equipment and vehicles for the administration of the Participating Communes and Community Development Committees.

Part B: Institution and Capacity Building

Improving the technical, financial management, organizational and operational capacities of PCMU and of the communal administration, Community Development Committees, and Community-Based Groups in the Participating Communes through the provision of technical advisory services and the carrying out of a training program.

Part C: Studies

Carrying out of studies on the role of local communities in the socio-economic development of the Borrower.

Part D: Project Coordination and Monitoring

Coordination and supervision through: (a) acquisition of equipment, vehicles, materials and supplies for the PCMU and the Participating Communes; (b) the carrying out of external evaluations of the implementation of the Project that shall focus, inter alia, on the effectiveness of the participatory methods of the Project and its administrative arrangements and mechanisms.

* * *

The Project is expected to be completed by June 30, 2001.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 and September 1997 (the Guidelines) and the following provisions of this Section.

Part B: Other Procurement Procedures

1. National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$60,000 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.

2. Procurement from UN Agencies

Vehicles and computer equipment may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines and as specified in the Project Implementation Manual.

3. Community Participation

Goods and works required for Part A of the Project shall be procured in accordance with paragraph 3.15 of the Guidelines and as specified in the Project Implementation Manual.

Part C: 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 of the first three contracts to be concluded by PCMU or a Community Development Committee or any contract for works exceeding an amount equivalent to \$30,000, the following procedures shall apply:

(a) prior to the selection of any supplier or contractor, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(b) prior to the execution of any contract by a supplier or contractor, the Borrower shall provide to the Association a copy of the specifications and the draft contract;

(c) in addition, the procedures set forth in paragraphs 2 (f) and 2 (g) 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

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

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 short list of consultants for all services with the exception of those for auditing 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. Selection Under a Fixed Budget

Services for training and participatory rural appraisals under Parts B and C of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

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

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$25,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third sub-paragraph of paragraph 2(a)), and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$15,000 or more, but less than the equivalent of \$25,000, the procedures set forth in paragraphs 1, 2 (other than the second sub-paragraph of paragraph 2(a)), 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants, estimated to cost the equivalent of \$15,000 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 said approval shall have been given.

3. Post Review

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

SCHEDULE 4

Implementation Program

I. Overall Project Implementation

1. The Borrower shall establish within the MININTER, not later than sixty (60) days after the date of this Agreement, a PCMU to be headed by a national coordinator, which shall be responsible for the overall implementation of the project in accordance with the Project Implementation Manual, and in particular for: (a) evaluating and approving Community Development Plans submitted by the Community Development Committees of Participating Communes; (b) making disbursements of Grants to Community Development Committees under the Project and maintaining adequate financial records with respects to Grants financed by proceeds of the Credit; (c) preparing and submitting replenishment requests and withdrawal applications to the Association; (d) monitoring the implementation of the Project and submitting the required technical, financial and other reports to MININTER, MINECOFIN and to the Association; and (e) initiating studies and capacity building efforts necessary for the achievement of the objectives of the Project and the monitoring of its implementation.

2. The Borrower shall ensure that, at all times during the execution of the Project, (a) the position of national coordinator for the Project is filled by a person having qualifications and experience satisfactory to the Association; and (b) PCMU staff include an accountant and project officers having qualifications and experience satisfactory to the Association.

3. Except as the Association shall otherwise agree, the Borrower shall: (i) apply the criteria, policies, procedures, guidelines and standard contracts set out in the Project Implementation Manual in the carrying out of the Project; and (ii) not amend or waive the Project Implementation Manual, or any provision thereof, in a manner which, in the opinion of the Association, may materially or adversely affect the implementation of the Project.

4. The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on a quarterly basis, beginning three months after the Effective Date, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;

(c) review with the Association, every semester, starting six months after the Effective Date, or such later date as the Association shall request, the reports referred to in sub-paragraph (b) of this paragraph, 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 said reports and the Association views on the matter;

(d) no later than eighteen months after the Effective Date, carry out jointly with the Association a mid-term review. Such review shall assess the overall progress in the implementation of the Project; the result of the monitoring and evaluation activities; and progress on procurement, disbursement and other financial management issues;

(e) furnish to the Association through MININTER quarterly financial reports summarizing progress in the carrying out of the respective Community Development Plans, including Sub-projects reviewed and approved and progress made in the implementation of Project-related activities and disbursement of funds; and

(f) submit annual reports to the Association, beginning on the date twelve months after the Effective Date. Such reports shall address, as a minimum, evaluation of Sub-projects during the preceding twelve-month period, implementation and supervision of Project activities, procurement, rate of disbursement and any specific operational issues that have presented difficulties and for which guidance from

MININTER has been sought.

II. Preparation, Evaluation and Approval of Community Development Plans and Sub-Projects

1. General Framework

(a) Participating Communes shall be those selected by MININTER, in accordance with the following criteria and as more fully specified in the Project Implementation Manual: the prospective Commune: (i) must have been severely affected by the war and genocide, as evidenced, inter alia, by serious infrastructure destruction and/or a high number of returnees and other vulnerable groups; (ii) suffers from a serious lack of organizational capacity and a low level of organizational density; (iii) has a low socio-economic level; (iv) does not benefit from a partnership with an organization applying the participatory methods of the Project, as described in the Project Implementation Manual; and (v) has established a Community Development Committee with the required legal capacity as well as the administrative and financial autonomy necessary for the carrying out of all its activities regarding the implementation of the Project. In addition to the above criteria, PCMU may, for added flexibility in the selection of Participating Communes, also take into account additional criteria, including the presence of potential Partner Agencies in the prospective Commune, its size and economic potential.

(b) All decisions regarding the implementation of the Project in a Participating Commune shall be taken by the Community Development Committee of that Commune.

(c) The Borrower, through PCMU, shall cause each Community Development Committee to open and maintain an account at a commercial bank acceptable to the Association. Community Development Committee accounts shall be separate from the accounts of the Participating Communes and only funds from the Special Account shall be deposited therein. Advances shall be made by PCMU to a Community Development Committee upon receipt and approval by PCMU of a quarterly work plan and funding requirement report based on the confirmed disbursement schedule submitted by the Community Development Committee as part of its Community Development Plan. Each subsequent advance shall be contingent upon satisfactory justification of the preceding period's advance with sufficient financial reporting to ensure that cost overruns or unexecuted projects are identified.

2. Preparation, Evaluation and Approval of Community Development Plans

(a) PCMU shall advertise publicly and request expressions of interest from potential Partner Agencies to assist Community Development Committees in the preparation of Community Development Plans.

(b) Potential Partner Agencies shall be required to have: (i) proven experience in comparable community development activities in the territory of the Borrower and in participatory project design and implementation; (ii) proven technical expertise in their area of intervention; (iii) adequate financial and administrative capacity; and (iv) been registered and have the legal capacity to contract under the laws of the Borrower.

(c) Following the selection of Partner Agencies in accordance with the criteria set forth in subparagraph II.2(b) of this Schedule, PCMU shall enter into contracts, in accordance with the provisions of Section II of Schedule 3 to this Agreement, with such Partner Agencies to assist Community Development Committees in the preparation and presentation of Community Development Plans.

(d) A Community Development Plan shall contain: (i) a brief description of the relevant Participating Commune and the status of its economy and its economic and social infrastructure; (ii) a phased and costed program of reintegration and development activities, based on the needs expressed by the Community Development Committee of the concerned Participating Commune; and (iii) a detailed implementation plan including a list, description, budget and disbursement schedule of the planned Sub-projects and a description of the role that Beneficiaries will play in the implementation of the Sub-projects.

(e) A Community Development Plan may be implemented by a Community Development Committee only after it has been examined and approved by PCMU. In evaluating a Community Development Plan submitted by a Community Development Committee, PCMU shall verify whether said Community Development Plan: (i) is in conformity with the prefectural development plan applicable to the Participating Commune where the Community Development Committee is located; (ii) envisages activities that reflect the needs and preferences of the populations of the concerned Participating Commune and can be implemented in accordance with the time-table and disbursement schedule included in the plan; and (iii) allows for periodic adjustment in content, funding requirements and implementation arrangements.

(f) Following approval of a Community Development Plan by PCMU, it shall, as representative of the Borrower, enter into a Grant Agreement with the concerned Community Development Committee, in accordance with the terms and conditions specified in the model agreements attached to the Project Implementation Manual, which shall include the following:

(i) the obligation of the Community Development Committee to carry out the implementation of the Community Development Plan with due diligence and efficiency, in accordance with the Project Implementation Manual as well as sound technical, financial, environmental and managerial standards and to maintain adequate records to reflect, in accordance with sound economic practices, the operations, resources and expenditures in respect of every Sub-project financed out of the proceeds of the Grant;

(ii) the obligation of the Community Development Committee to appoint and maintain at all times during the execution of the Project staff with qualifications and experience satisfactory to PCMU and the Association including a community development agent who shall assist in the preparation of capacity building and infrastructure Sub-projects, the evaluation of income generating Sub-projects and the monitoring of all Sub-projects; and an accountant who shall assist in all financial management issues.

(iii) the requirement that 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 such goods, works and services shall be used exclusively for the purpose of carrying out of the Sub-projects;

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

(v) the right of the Borrower to obtain all information as the Association shall reasonably request regarding the administration, operation and financial condition of any Sub-project; and

(vi) the right of the Borrower to suspend or terminate the right of the Community Development Committee to use the proceeds of the Credit for a Sub-project upon the failure by the Community Development Committee to perform any of its obligations.

3. Approval and Implementation of Sub-projects

(a) The approval and implementation of Sub-projects shall be subject to the following procedures:

(i) Sub-projects under Part A(i) and (iii) of the Project shall be prepared by the Community Development Committee within the framework of the Community Development Plan. They shall be reviewed by PCMU to ensure that they are consistent with the objectives of the relevant Community Development Plan and have been appraised in

accordance with the criteria, policies and procedures set forth in the Project Implementation Manual. The Community Development Committee may proceed with the adoption and carrying out of a Sub-project only if it has received a positive evaluation of the Sub-project by PCMU. PCMU shall communicate the results of its evaluation in accordance with the timetable specified in the Project Implementation Manual.

(ii) Sub-projects under Part A(ii) of the Project shall be prepared by a Community-Based Group, with the assistance of a Partner Agency if necessary, and submitted to the Community Development Committee for its evaluation in accordance with the criteria specified in the Project Implementation Manual and approval. The Community Development Committee may delegate to a subcommittee the power to approve Sub-projects under Part A(ii) of the Project. The decision approving the Sub-project shall set forth the rights and obligations of the Community Development Committee and the Beneficiary of the Sub-grant, in particular, the obligation of the Beneficiary of the Sub-grant to carry out the implementation of the Sub-project with due diligence and efficiency and the right of the Community Development Committee and PCMU to monitor and inspect the implementation of the Sub-project by the Beneficiary and its Partner Agency. In addition, a Community Development Committee may require a Beneficiary of a Sub-grant to make financial contributions, in such manner as shall be determined by the Community Development Committee, to a community revolving fund as may be set up by the Community Development Committee, once the Sub-project starts generating income. The Community Development Committee shall communicate to any Community-Based Group whose proposal for a Sub-project was rejected the reasons for such rejection and invite it to re-submit its proposal after making necessary changes if the rejection was due to technical deficiencies in the proposal.

(b) A Community Development Committee may contract a Partner Agency to assist in the preparation and implementation of a Sub-project under Part A(i) and (iii) of the Project or, on behalf of a Beneficiary of a Sub-grant, in the preparation and implementation of a Sub-project under Part A(ii) of the Project. Such contract shall provide, inter alia, for: (i) specific terms of reference for the Partner Agency based on the requirements of the Sub-project; (ii) the terms of payments by the Community Development Committee to the Partner Agency, which shall be based on a predetermined payment schedule that shall be part of every Sub-project proposal; and (iii) the right of the Community Development Committee to withhold payments to the Partner Agency and suspend or terminate the activities under the Sub-project if the Partner Agency fails to comply with its obligations under the contract. Payments for expenditures incurred for Sub-projects under Part A(ii) of the Project shall be effected by the Community Development Committee on behalf of Beneficiaries of Sub-grants in accordance with the procedures set forth in the Project Implementation Manual, unless the Beneficiaries have an account at a local bank satisfactory to the Community Development Committee and PCMU as well as adequate financial management capabilities.

(c) The Borrower shall ensure that all procurement and contracting of consultants' services to be undertaken by Community Development Committees and Partner Agencies for specific Sub-projects are carried out in accordance with the provisions of Schedule 3 to this Agreement and the Project Implementation Manual.

(d) The Borrower shall closely monitor the performance of Community Development Committees and Partner Agencies and, to that end, shall require adequate reports from them and shall, through PCMU, undertake visits to the Participating Communes and to the local offices of the Partner Agencies.

III. Capacity Building, Studies and Project Coordination and Monitoring

The Borrower shall implement Parts B, C and D of the Project in accordance with the timetable and specifications described in the Project Implementation Manual.

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) to (4) 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, as well as amounts paid or to be paid under Grants, 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 \$450,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$100,000 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 SDR750,000.

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

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

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

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or 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.

