

CONFORMED COPY

CREDIT NUMBER 3367 RW

Development Credit Agreement

(Human Resources Development Project)

between

RWANDESE REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 7, 2000

CREDIT NUMBER 3367 RW

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 7, 2000, between RWANDESE REPUBLIC (the Borrower) and the 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; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions), 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 Commune that organizes itself for the purpose of submitting and implementing a Sub-project (as hereinafter defined) under Part A.1 of the Project;

(d) "Community Development Committee" or "CDC" means a committee made of members of the administration of a 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 a Community Development Committee containing a phased and costed program of development activities based on the needs expressed by the population of its Commune, including a list, description, budget and disbursement schedule of any planned Subprojects (as hereinafter defined);

(f) "Grant" means a grant made or proposed to be made by the Borrower through EPO (as hereinafter defined) to a Community Development Committee for the purpose of financing Sub-projects (as hereinafter defined) under Part A.1 of the Project;

(g) "Grant Agreement" means an agreement between the Borrower represented by EPO (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.1 of the Project;

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

(i) "MINEDUC" means the Borrower's Ministry of Education;

(j) "MINALOC" means the Borrower's Ministry of Local Government and Social Affairs;

(k) "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.1(b) of Schedule 4 to this Agreement to assist: (i) Community Development Committees in the preparation and implementation of the education components of Community Development Plans; or (ii) Community-Based Groups in the preparation and implementation of Sub-projects (as hereinafter defined) under Part A.1 of the Project;

(l) "EPO" means the Education Project Office, established within MINEDUC for the purposes of management, coordination and monitoring of the

Project in accordance with the provisions of sub-paragraphs I.2 and I.3 of Schedule 4 to this Agreement;

(m) "Project Implementation Manual" means the manual referred to in sub-paragraph I.5 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;

(n) "Special Account" means the account referred to in Section 2.02 (b) and Part B of Schedule 1 to this Agreement;

(o) "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.1 of the Project;

(p) "Sub-project" means an education project proposed by a Community Development Committee or a Community-Based Group, within the scope defined in Part A.1 of the Project and financed or to be financed out of the proceeds of the Credit;

(q) "Project Account" means the account referred to in Section 3.02 of this Agreement;

(r) "Community Advance Account" means a sub-account of the Special Account referred to in Section 2.02 (c) of this Agreement;

(s) "Eligible Categories" means the categories set forth in the table in Paragraph A.1 of Schedule 1 to this Agreement;

(t) "Eligible Expenditures" means the expenditures for goods, works, services and amounts paid or to be paid under Grants, referred to in Section 2.02 (a) of this Agreement;

(u) "Initial Deposit" means the initial amount to be deposited into the Project Account (as hereinafter defined) pursuant to Section 3.02 (b)(i) of this Agreement;

(v) "Rwandese Francs" means the currency of the Borrower;

(w) "Project Year" means the first period of twelve (12) months following the Effective Date of the Project (First Project Year) and each subsequent period of twelve months thereafter until the completion of the Project;

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

(y) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on January 5, 2000 and on behalf of the Borrower on January 13, 2000;

(z) "Oversight Committee" means the Project oversight committee to be established by the Borrower in accordance with sub-paragraph I.1 of Schedule 4 to this Agreement; and

(aa) "IAPSO" means the Inter-Agency Procurement Services Office of the United Nations.

## 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 twenty six million one hundred

thousand Special Drawing Rights (SDR 26,100,000).

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, works 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, works and services required for Sub-projects to be financed under Part A.1 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 1 to this Agreement.

(c) The Borrower shall cause each CDC to:

- (i) open and maintain in Rwandese Francs, an advance account of the Special Account, denominated Community Advance Account, in a commercial bank or any other bank acceptable to the Association on terms and conditions satisfactory to the Association, including, in the case of a commercial bank, appropriate protection against set off, seizure or attachment, to be used by such CDC exclusively for the purposes of financing works, goods and services required under the Project; and
- (ii) withdraw from the Special Account and deposit into each Community Advance Account the amount needed to cover Eligible Expenditures for a period not exceeding ninety days, and thereafter replenish said Advance Account in accordance with Paragraph 7 of Schedule 1 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2006 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

Section 2.05. The Borrower shall pay to the Association a service charge

at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 1 and October 1 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 April 1 and October 1, commencing October 1, 2010 and ending April 1, 2040. Each installment to and including the installment payable on April 1, 2020 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

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

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

Section 2.08. The currency of the 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 MINEDUC with due diligence and efficiency and in conformity with appropriate administrative, financial and educational 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. Without limitation upon the provisions of paragraph (a) of Section 3.01 of this Agreement, and except as the Borrower and the Association shall otherwise agree, the Borrower shall:

(a) open an account in Rwandese Francs in a financial institution acceptable to the Association (the Project Account), and thereafter maintain said Project Account under terms and conditions acceptable to the Association until the completion of the Project;

(b) deposit into the Project Account: (i) an initial amount equivalent to \$ 250,000 for the First Project Year; and (ii) thereafter replenish the Project Account every 12 months following the end of the First Project Year, by depositing therein an amount equivalent to \$ 290,000, to finance the Borrower's contribution to Project expenditures; and

(c) ensure that funds deposited into the Project Account in accordance with paragraph (b) of this Section shall be used exclusively to finance expenditures under the Project other than those financed from the proceeds of the Credit.

Section 3.03. 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 3.04. 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 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 as well as any entities 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 no 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.

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, no later than eighteen (18) months after the Effective Date, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines

acceptable to the Association, and furnish to the Association no later than 45 days after the end of each calendar quarter, a Project Management Report for such period.

#### 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 adopted the Project implementation Manual, in form and substance satisfactory to the Association;

(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 opened the Project Account and has deposited therein the Initial Deposit referred to in Section 3.02 (b) (i) of this Agreement

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:

MINFIN-RWANDA

Telex:

22687  
MINFIN-RAW

For the Association:

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

Cable address:

INDEVAS  
Washington, DC

Telex:

248423 (MCI) or  
64145 (MCI)

Facsimile:

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly



authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

RWANDESE REPUBLIC

By /s/ Dr. Richard Sezibera  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Emmanuel Mbi  
Acting Regional Vice President,  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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

| Category   | Amount of the<br>Credit Allocated<br>(Expressed in SDR<br>Equivalent) | % of<br>Expenditures<br>to be Financed                           |
|--|---|--|
| (1) Civil works  | 4,100,000   | 100% of foreign<br>expenditures and 90%<br>of local expenditures |
| (2) Vehicles, Equipment and                                    | 5,340,000   | 100% of foreign<br>expenditures and 95%<br>of local expenditures |
| (3) Consultants' services,<br>including audits                 | 3,480,000   | 100%   |
| (4) Training, workshops and<br>study tours                     | 4,780,000   | 100%   |
| (5) Incremental Operating<br>Costs                             | 700,000   | 80%  |
| (6) Grants under Part A<br>amounts disbursed<br>of the Project | 4,890,000   | 100% of  |
| (7) Refunding of the Project<br>Preparation Advance            | 460,000   | Amount due pursuant to<br>Section 2.02 (c) of<br>this Agreement  |
| (8) Unallocated  | 2,350,000   |  |

TOTAL

26,100,000

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: (a) payments made for expenditures prior to the date of this Agreement, and (b) payments under Category (6) until and unless the Grant has been made in accordance with the procedures and terms and conditions set forth or referred to in sub-paragraph II.1(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 made for: (a) goods under contracts not exceeding \$100,000; (b) civil works under contracts not exceeding \$500,000 equivalent; (c) civil works for Subprojects, under contracts not exceeding \$200,000; (d) consulting firms under contracts not exceeding \$100,000 equivalent; and (e) individual consultants' services under contracts not exceeding \$50,000 equivalent; all under such terms and conditions as the Association shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall open and maintain in US dollars a special deposit account in its Central Bank, on terms and conditions satisfactory to the Association.

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

(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

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

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

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

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

(c) if the Borrower shall have failed to furnish to the Association within the period of time specified in Section 4.01(b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

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

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

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

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

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

7. (a) The Borrower shall withdraw from the Special Account and deposit into each Community Advance Account an advance for a period not exceeding ninety days to allow the relevant CDC to finance Subgrants for approved Subprojects and other Eligible Expenditures. Advances shall be made by the Borrower to a Community Development Committee upon receipt and approval by EPO of a quarterly work plan and funding requirement report based on the 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 on a monthly basis to ensure that cost overruns or unexecuted projects are identified.

(b) Payments out of Community Advance Accounts shall only be made for Eligible Expenditures in respect of Categories (2) through (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(c) Any withdrawal from any Community Advance Account must be justified to the Borrower by the same documentation and other evidence regarding Eligible Expenditures.

#### Annex A to SCHEDULE 1

##### Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex, the term "Authorized Allocation" means an amount equivalent to \$3,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$2,000,000 until the aggregate amount of withdrawals from the Credit Account, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal or exceed the equivalent of SDR 6,000,000.

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

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

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

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Special Account's Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

Annex B to SCHEDULE 1

Operation of Special Account When Withdrawals Are  
Made On the Basis of Project Management Reports

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Special Account's Eligible Categories.
2. Each application for withdrawal from the Credit Account for deposit into the Special Account shall be supported by a Project Management Report.
3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of \$6,000,000.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in its efforts to develop and implement a sustained program of capacity building through education and skills development in order to redress human resources deficiencies in its territory and develop a critical mass of trained human resources.

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-Based School Rehabilitation and Development Program

Carrying out of a community-driven school rehabilitation and development program through: (1) provision of Grants to CDCs to finance the construction, rehabilitation and equipment of school infrastructure under Subprojects identified and proposed by Community-Based Groups; (2) provision of specialized training, including in project cycle management, to CDCs, prefectural and communal administrations; (3) provision of technical advisory services to CDCs in the preparation of the education components of Community Development Plans; and (4) carrying out of monitoring and evaluation activities involving the Beneficiaries.

Part B: School Quality Improvement Program

Carrying out of a program to raise the quality of education through:

1. Teacher Training:

Improving the quality of teachers through: (i) development and implementation of a program of in-service teacher training, including the provision of adequate pedagogical support to all teachers; (ii) identification of the training needs in the twelve Teacher Training Colleges (TTCs) and the Kigali Institute of Education (KIE); (iii) reorganizing the TTCs and providing

them with adequate staff and facilities through the rehabilitation of facilities, the provision of appropriate training to their staff and the acquisition of equipment and materials; and (iv) completion of the construction of a faculty of science at the KIE, provision of training to its staff and acquisition of laboratory equipment and other equipment and materials.

2. Curriculum Development:

Strengthening the capacity of the Centre National de développement des programmes (CNDP) through: (i) the provision of training to curriculum developers and the acquisition of equipment and materials; and (ii) the staffing and equipment of its administrative unit responsible for initiating, developing, producing, experimenting and ensuring the regular review and updating of curricula, textbooks, teachers' guides and other educational materials.

3. Textbooks and Pedagogical materials:

(i) Improving the availability of textbooks through the adaptation, development, production and distribution of an adequate number of textbooks in Kinyarwanda, French, English and other local languages, where appropriate; and (ii) building capacity in the areas of textbook writing, illustration, design and distribution through the provision of training to textbook writers, illustrators and designers and the organization of workshops and study visits abroad.

4. Strengthening of the examinations/assessment system, through: (i) the drawing up of an organizational chart for the National Examination Council and the acquisition of equipment of materials for such council; and (ii) the construction of a national examination center, the acquisition of equipment and materials and the provision of training to its technical personnel.

5. Improving the quality of teaching in science and technology through: (i) the provision of reference books for science teaching, the provision of training to science teachers, the acquisition of adequate scientific and technical equipment for schools, the construction and rehabilitation of school infrastructure, and the recruitment of expatriate science teachers.

Part C: HIV/AIDS

Promoting behavior change required for effective HIV/AIDS prevention through:

1. Sensitization

Promoting behavior change through: (i) the organization of information and sensitization sessions and seminars for ministry officials, local authorities, teachers and students; (ii) integration of HIV/AIDS into the school curriculum and development of appropriate education materials; and (iii) development and implementation of public information campaigns.

2. Curriculum Development: Assessment of other countries' experiences regarding the integration of HIV/AIDS into school curriculum and continuous development and adjustment of curriculum as necessary.

3. Development of a strategy to ensure adequate dissemination of pedagogical materials to support the curriculum treatment of HIV/AIDS and preparation of appropriate materials to reach out-of-school youth.

4. Strengthening AIDS program management through: (i) Expansion of MINEDUC's management and technical capacity with respect to AIDS management through increased staffing, the provision of technical advisory services, the acquisition of equipment and materials, the provision of training to staff as well as the organization of study tours abroad on AIDS prevention programs; and (ii) carrying out of studies and consultations with donors and other stakeholders to assess and develop possible curative HIV/AIDS programs.

5. Counseling, Caring and testing

Improving access to counseling and AIDS testing to teachers and students through the provision of support to social services, non governmental organizations, local health facilities and community-based organizations.

Part D: Capacity Building Program, Studies and Development of a Sector Wide Approach

1. Strengthening the system of educational management and planning, through the provision of training to education sector staff and the carrying out of studies and surveys on teaching conditions.
2. Strengthening of decentralization and the General Inspectorate, through the provision of training to inspectors, the acquisition of vehicles, equipment and materials for inspectors' offices, and the construction and rehabilitation of office facilities.
3. Focused training and staff development in key institutions: Provision of training and management capacity building within the education system and recruitment of adequate temporary staff to replace staff on training.
4. Studies and Policy Development: Carrying out of a comprehensive studies program and development of plans of action in specific areas, including, barriers to access study, cost and financing of higher education, training needs assessment, early childhood development policy and strategy, national plan for combating illiteracy.

Part E: Project Technical Support, Monitoring and Evaluation

1. Management, supervision and coordination of Project activities through the acquisition of vehicles for EPO, and equipment, materials and supplies for both EPO and CDCs.
2. Monitoring and evaluation of Project activities through the carrying out of: (i) surveys and other studies to closely monitor and evaluate the Project's output and outcome; and (ii) audits of the Project.

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

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.
2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for vehicles, equipment and materials under Parts B, C and E of the Project shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods and domestic contractors

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$1,030,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$2,350,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. International or National Shopping

(a) Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(b) Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$ 300,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. 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 specified in the Project Implementation Manual.

5. Procurement from UN Agencies

Vehicles, motorcycles and equipment under Parts C and D of the Project estimated to cost more than \$75,000 equivalent per contract up to an aggregate amount not to exceed \$400,000 may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

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: (i) each contract for civil works estimated to cost



\$500,000 or more; (ii) each contract for goods estimated to cost the equivalent of \$ 100,000 or more; (iii) the first two contracts procured under national competitive bidding procedures; and (iv) the first two contracts for civil works for Sub-projects in two different Communes, 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

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 Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

### 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 services for staff training, project management and coordination under the Project, estimated to cost less than \$200,000 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 project management and coordination under Part E of the Project estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

#### 2. Selection Based on Consultants' Qualifications

Services for the recruitment of replacement expatriate staff during training of national staff, development of teacher guides at all levels of education, adaptation and writing of textbooks, development of a textbook policy, production and dissemination of teaching materials on HIV/AIDS, staff training in various institutions, resource persons in seminars, workshops and awareness-raising campaigns, strengthening of decentralization and the general pedagogical inspection service under the Project estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

#### 3. Single Source Selection

Services for training on peace education under Part D of the Project, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

#### 4. Individual Consultants

Services for project management and coordination under Part E of the Project which meet the requirements set forth in paragraph 5.1 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 for training, studies and policy development activities 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 consulting firms estimated to cost the equivalent of less than \$100,000 or individual consultants estimated to cost the equivalent of less than \$50,000, 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

#### I. Overall Project Oversight and Implementation

1. The Borrower shall establish and maintain at all times during the implementation of the Project an Oversight Committee to provide overall Project guidance and oversight during implementation, chaired by a senior representative of MINEDUC and composed of the heads of all relevant Departments and Units of MINEDUC, and representatives of MINECOFIN, MINALOC, the Borrower's Ministries of Gender and Family, Agriculture, Livestock and Forestry, Health, Youth, Culture and Sports, selected Partner Agencies, the private sector and donors. The Oversight Committee shall meet no less than twice every year during the

implementation of the Project.

2. The Borrower shall maintain within MINEDUC an EPO headed by a national manager and staffed with personnel having experience and qualifications satisfactory to the Association, including an architect, an engineer, a chief financial officer, a procurement specialist, an accountant, an education specialist and a social scientist.

3. Under the direction of the national manager, EPO shall be responsible for the day-to-day management of the Project and coordination of the activities of the Project, in accordance with the Project Implementation Manual. EPO's responsibilities shall include in particular: assisting each implementation unit in the preparation of annual work programs and budgets for the implementation of each project component or activity; coordinating all aspects of project implementation with the relevant Ministries of the Borrower; supervising and coordinating the actions of CDCs relating to the Project; ensuring that adequate Borrower counterpart funding is budgeted; evaluating the education components of Community Development Plans submitted by Community Development Committees; 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; preparing and submitting replenishment requests and withdrawal applications to the Association; monitoring the implementation of the Project and submitting the required technical, financial and other reports to MINEDUC, MINALOC, MINECOFIN and to the Association; and initiating studies and capacity building efforts necessary for the achievement of the objectives of the Project and the monitoring of its implementation; carrying out all other duties as described in the Project Implementation Manual.

4. The Borrower shall carry out the execution of Parts B and D of the Project through the appropriate institutional units of MINEDUC and to that end shall appoint and maintain in such units at all times during the execution of the Project adequate staff with qualifications and experience satisfactory to the Association.

5. 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.

6. 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 bi-annual basis, beginning six 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's views on the matter;

(d) no later than thirty six 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 MINEDUC biannual financial reports summarizing progress in the carrying out of the education components of 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 the Oversight Committee has been sought.

## II. Specific Implementation Arrangements for Part A.1 of the Project

### 1. Preparation, Evaluation and Approval of the Education Components of Community Development Plans

(a) EPO shall advertise publicly and request expressions of interest from potential Partner Agencies to assist Community Development Committees in the preparation of the education components 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 the preceding subparagraph, EPO shall, whenever necessary, 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 the education components of Community Development Plans.

(d) The education component of a Community Development Plan shall contain: (i) a phased and costed program of education activities, based on the needs expressed by the Community Development Committee of the concerned Commune; and (ii) 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 MINALOG. If a Community Development Plan includes an education component, such component shall also be submitted to MINEDUC for review and approval prior to its final approval by MINALOG. In evaluating the education components of a Community Development Plan submitted by a Community Development Committee, MINEDUC shall verify whether said component of the Community Development Plan satisfies the following criteria: (i) is in conformity with the prefectural development plan applicable to the Commune where the Community Development Committee is located; (ii) envisages education activities that reflect the needs and preferences of the populations of the concerned 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 by MINEDUC and MINALOC of a Community Development Plan that includes an education component, EPO may, as representative of the Borrower, enter into a Grant Agreement with the concerned Community Development Committee for the financing of selected activities under such component. Prior to signing any Grant Agreement with a CDC, EPO shall ensure that such CDC has appointed an accountant with adequate qualifications and experience and established a satisfactory accounting system. The Grant Agreement shall reflect 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 education component 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 the Borrower and the Association including a community development agent who shall assist in the preparation, evaluation, and monitoring of 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 Borrower or 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.

## 2. Approval and Implementation of Sub-projects

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

- (i) Sub-projects under Part A.1 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. In evaluating Sub-projects, the Community Development Committee shall in particular take into account the following criteria, as further detailed in the Project

Implementation Manual: the gross enrollment ratio in the Commune where the Sub-project is to be implemented; the average distance between the homes of school children residing in the Commune and the nearest primary school; and the existence in the relevant Commune of mechanisms to encourage parents' and community participation in school management.

- (ii) Before approving any Sub-project, the Community Development Committee shall submit it to EPO for review. In reviewing Sub-projects, EPO shall 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.
- (iii) The decision approving the Sub-project shall set forth the rights and obligations of the Community Development Committee and the Beneficiary of a Sub-grant, in particular, the obligation of the Beneficiary of such Sub-grant to contribute, in cash or in kind, at least 10% of the total cost of the Sub-project, to the financing of the Subproject and to carry out the implementation of the Sub-project with due diligence and efficiency, the right of the Community Development Committee and EPO to monitor and inspect the implementation of the Sub-project by the Beneficiary and its Partner Agency and the obligation of the CDC to disburse the proceeds of the Subgrant with due diligence and efficiency.

(b) A Community Development Committee may contract a Partner Agency to assist a Beneficiary of a Sub-grant, in the preparation and implementation of a Sub-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 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 EPO 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 EPO, undertake visits to the CDCs and to the local offices of the Partner Agencies.

### III. Implementation Arrangements for Part C: HIV/AIDS

The Borrower shall implement Part C through the AIDS unit within the Department of Planning of MINEDUC. This unit shall coordinate as necessary with other Departments within MINEDUC, with the Ministry of Health and any other agencies of the Borrower dealing with AIDS/HIV issues to ensure proper execution of Part C of the Project

