

CONFORMED COPY

CREDIT NUMBER 3315-SE

Development Credit Agreement

(National Rural Infrastructure Program - Phase I)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 23, 2000

CREDIT NUMBER 3315-SE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 23, 2000, between REPUBLIC OF SENEGAL (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter, dated October 26, 1999, from the Borrower describing a program of actions, objectives and policies designed to accelerate the Borrower's rural development through a decentralized approach (the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower has requested that the Association support its execution of the Program through a series of Credits over a period of 12 years, the proceeds of such Credits to be utilized by the Borrower for implementing the Program;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, which Project forms the first phase of the Program, has requested the Association to assist in the financing of the Project;

(D) the Borrower intends to obtain from the International Fund for Agricultural Development (IFAD), a loan in an aggregate amount equivalent to US\$7,500,000, to assist in financing the Program on the terms and conditions set forth in a loan agreement to be entered into between the Borrower and IFAD (IFAD Loan

Agreement); and

WHEREAS (E) the Association has agreed on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower in support of the first phase of the Program 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) (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 and in the Preamble to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "AIP" or "annual investment plans" means the program for investment for a twelve-month period prepared by a CR (as hereinafter defined);

(b) "APCR" means the Association of Presidents of Rural Communities, established and operating under the laws of the Borrower;

(c) "AWPB" means an annual work plan and budget prepared by the Borrower for the purpose of the Project pursuant to paragraph 2 of Schedule 4 to this Agreement;

(d) "CNDCL" means Conseil national de développement des collectivités locales, the National Council for Local Communities Development established and operating under the laws of the Borrower;

(e) "CR" or "Collectivité rurale" or "communauté rurale" means any of the rural communities, as defined under the Borrower's Law on Decentralization No. 96-06;

(f) "DCL" means Direction des Collectivités Locales, the Directorate for Local Communities, within MID (as hereinafter defined);

(g) "DGR" means Direction du Génie Rural, the Directorate of Rural Engineering, within MA (as hereinafter defined);

(h) "Financial Procedures Manual" means the manual adopted by the Borrower pursuant to Section 6.01 (e) of this Agreement containing, inter alia, details on the procedures regarding financial management to be used in the implementation of the Project and such term includes any schedules to the Financial Procedures Manual;

(i) "FCFA" means the currency of the Borrower;

(j) "FY" means the Borrower's fiscal year starting January 1 and ending December 31 of each year;

(k) "Implementing Agencies" means collectively all the agencies and ministries of the Borrower which are responsible for the carrying out of one or several parts of the Project;

(l) "Initial Deposit" means the deposit referred to in Section 3.04 (b) of this Agreement;

(m) "Innovation Fund" means the fund to be established under Part B.2 of the Project;

(n) "LDP" means local development plans, prepared or updated by CR containing details on the program of activities to be carried out in the CR;

(o) "LIF" means local investment fund referred to in Part B of the Project

which includes both the Innovation Fund and the Rural Investment Fund (as hereinafter defined);

(p) "Matching Grant" means a matching grant provided under Part B of the Project;

(q) "Matching Grant Beneficiary" means a community or a group which meets the criteria specified in the Project Implementation Manual (as hereinafter defined) to which or for whose benefit a Matching Grant is made or proposed to be made for the carrying out of a Micro-project (as hereinafter defined) under Part B of the Project;

(r) "Microproject" means a specific activity carried out or to be carried out under Part B of the Project, financed or proposed to be financed through a Matching Grant extended under Part B of the Project;

(s) "MINT" means the Borrower's Ministry of Interior;

(t) "MA" means the Borrower's Ministry of Agriculture;

(u) "Performance Indicators" means the indicators referred to in Schedule 6 to this Agreement;

(v) "Project Account" means the account referred to in Section 3.04 of this Agreement;

(w) "PCU" means the Project Coordination Unit to be established pursuant to Section 6.01 (d) of this Agreement;

(x) "PSC" means the Project Steering Committee to be established pursuant to Section 6.01 (d) of this Agreement;

(y) "Project Implementation Manual" means the manual to be adopted by the Borrower pursuant to Section 6.01 (a) of this Agreement containing, inter alia, work-plans, training plans, and procedures to be used for the purpose of implementation of the Project, as they may be amended from time to time with the approval of the Association and such term includes any schedules to the Project Implementation Manual;

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

(aa) "Project Preparation Advance" means the project preparation advances granted by the Association to the Borrower pursuant to the letters, dated April 16, 1998, and March 12, 1999, between the Borrower and the Association;

(bb) "Rural Investment Fund" means the fund established under Part B.1 of the Project;

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

(dd) "Strategic Framework for Rural Transport" means the Borrower's national strategy for rural roads, adopted on October 21, 1999;

(ee) "Subproject" means any activity or a group of activities to be carried out under Part C of the Project, as agreed upon between the Borrower and the Association;

(ff) "Subproject Grant" means a grant provided under Part C of the Project;  
and

(gg) "Subproject Grant Beneficiary" means a community or a group which meets the criteria specified in the Project Implementation Manual to which or for whose benefit a Subproject Grant is made or proposed to be made for the carrying out of a Subproject under Part C of the Project.

## ARTICLE II

## The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty million five hundred thousand Special Drawing Rights (SDR 20,500,000)

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for 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 (other than Parts B and C thereof) and to be financed out of the proceeds of the Credit and amounts paid (or if the Association shall so agree, to be paid) on account of withdrawals made by a Matching Grant Beneficiary or a Subproject Beneficiary, under a Microproject or a Sub-project to meet the reasonable cost of goods and services required for a Microproject or a Sub-project and in respect of which the withdrawals from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in FCFA, in the name of the Project, a special deposit account, in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

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

Section 2.03. The Closing Date shall be June 30, 2005, 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 15 and October 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 April 15 and October 15, commencing April 15, 2010 and ending October 15, 2039. Each installment to, and including the installment payable on October 15, 2019 shall

be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental 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, works, and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 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 for the future operation of the Project; and

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

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

- (a) establish and maintain a Project Account in a commercial bank under terms and conditions satisfactory to the Association;
- (b) deposit into the Project Account an amount equivalent to FCFA 85,000,000;
- (c) deposit into the Project Account, not later than June 30, in each year, until the completion of the Project, an amount in FCFA 224,000,000 for year 2001, FCFA 140,000,000 for year 2002, and FCFA 112,000,000 for year 2003, or such greater amount as may be required for the purposes of the Project, and as specified in the AWPB; and
- (d) ensure that amounts deposited into the Project Account shall be used only to make payments to meet expenditures made or to be made in respect of the Project.

#### 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 Account 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 Account 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, not later than eighteen months after the Effective Date, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

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

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

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

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

#### ARTICLE VI

##### Effective Date; Termination

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

(a) the Borrower has adopted the Project Implementation Manual in form and substance satisfactory to the Association;

(b) the Borrower has opened a Project Account and deposited therein the amount of the Initial Deposit;

(c) the Borrower has appointed all the key staff referred to in paragraph 4 of Schedule 4 to this Agreement, including five (5) of the nine (9) regional coordinators, for an initial period of one year, each with terms of reference and qualifications satisfactory to the Association;

(d) the Borrower has established the PSC and the PCU with membership, functions and responsibilities satisfactory to the Association;

(e) the Borrower has promulgated a decree, in form and substance acceptable to the Association, providing for the statute of \_\_\_\_\_ community secretary;

(f) the Borrower has established a financial accounting and management

system, satisfactory to the Association, and adopted a Financial Procedures Manual, in form and substance acceptable to the Association; and

(g) the IFAD Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of the Development Credit Agreement, have been fulfilled.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministry of Economy, Finance and Planning  
B. P. 4017  
Rue René N'Diaye  
Dakar  
Senegal

Cable address:

MINIFINANCES

Telex:

3203G

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (MCI) or  
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.

REPUBLIC OF SENEGAL

By /s/ Mamadou Mansour Seck

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President



## 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) Civil Works for Subprojects	3,700,000	80%
(2) Goods	1,000,000	80%
(3) Consultants' services	2,700,000	75%
(4) Training	2,900,000	75%
(5) Operating Costs	1,700,000	75%
(6) Matching Grants	5,600,000	80%
(7) Refunding of Project Preparation Advance	1,000,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(8) Unallocated	1,900,000	
TOTAL	20,500,000	

2. For the purposes of this Schedule the term "operating costs" means incremental expenditures incurred on account of Project implementation, management and monitoring including office consumables (including communication expenses), staff travel and associated subsistence allowances, salaries for incremental contractual and temporary staff, office rental, office supplies and maintenance, fuel and maintenance for vehicles and equipment, and audit, but excluding salaries of the Borrower's civil servants.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement.

(b) a Subproject, unless: (i) such Subproject has been approved in accordance with, and subject to, the provisions of paragraphs 1 and 18 of Schedule 4 to this Agreement; and (ii) the Borrower has submitted the draft annual budget satisfactory to the Association for the Fiscal Year corresponding to the Subproject.

(c) a Matching Grant, unless such Matching Grant has been approved in accordance with, and subject to, the provisions of paragraphs 1 and 14 of Schedule 4 to this Agreement;

(d) payments made for expenditures for goods and services supplied under a contract which any national or international financing institution or agency other than the Association, shall have financed or agreed to finance under any other credit or grant.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) works under contracts not exceeding \$100,000 equivalent; (ii) goods under contracts not exceeding \$100,000

equivalent; (iii) consultants' services (firms) under contracts not exceeding \$100,000 equivalent; (iv) consultants' services (individuals) under contracts not exceeding \$50,000 equivalent; and (v) operating costs and training 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: (i) to improve the Borrower's local governance and local capacity to contribute to poverty reduction in the rural areas; (ii) to establish participatory mechanisms for selecting, funding and implementing rural community investment programs; and (iii) to implement basic infrastructure programs in a selected number of rural communities.

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: Support for Decentralized Rural Development

1. Design and implementation of decentralized management models including fiscal instruments for rural areas for the purpose of developing modalities to implement proposed reforms.

2. Strengthening the capacity of about 90 CRs for participatory management of their affairs including local management and planning, governance and information sharing, and strengthening CR's response against HIV/AIDS, through the provision of:

(i) technical advisory services, training, equipment and acquisition of mopeds, to enable CRs to become the maitre d'ouvrage of their infrastructure works.

(ii) technical advisory services for the preparation or updating of LDPs of CRs and extracting AIPs therefrom.

(iii) technical advisory services and equipment to assist CRs to structure their demand, to assess and organize training, and to facilitate information circulation.

(iv) training in the areas of decentralization, CR management, and microproject cycle, to officials and community leaders, including local workshops and study tours.

3. Facilitating the process of rural decentralization by strengthening the capacity of national entities and institutions engaged in the design and implementation of decentralization policies, through:

(i) the provision of technical advisory services and equipment to CNDCL to develop capacity to analyze, study, and evaluate decentralization policies, including establishment, within CNDCL, of a system for evaluating different ongoing programs of decentralization.

(ii) the provision of technical advisory services, equipment and logistical assistance to DCL to facilitate the implementation of Part A of the Project.

(iii) the carrying out of a study on rural technical deconcentrated services to rationalize their roles and functions in local development.

(iv) the provision of technical advisory services to facilitate APCR's restructuring into an association of locally elected officials, including the redesigning of its statutes and redefining of its mandate and provision of training and equipment therefor.

Part B: Local Investment Fund (LIF)

1. Establishment, management and operation of a Rural Investment Fund in about 60 CRs, including the provision of grants, on matching basis, for Microprojects identified by the CRs pertaining, inter alia, to health and maternity centers, schools, potable water and sanitation, access roads, and culverts, and initiatives to help fight against HIV/AIDS.
2. Establishment, management and operation of an Innovation Fund to improve, on a continual basis, through action research, the implementation procedures regarding the Local Investment Fund and to prepare modalities for broadening the scope of Microprojects eligible for funding of productive investments in the communities.
3. Promotion, preparation, appraisal, execution, supervision and evaluation of Micro-projects, including provision of Matching Grants therefor.

Part C: Community Roads Program

1. Planning and carrying out of a community roads access program based on Subprojects identified by CRs, in about 60 CRs covered by the Rural Investment Fund referred to in Part B of this Schedule.
2. Carrying out of the activities described in the Strategic Framework for Rural Transport, including the conception and setting up of mechanisms for planning, management and maintenance for the rural road networks within the CR, and mobilization of resources for maintenance.
3. Strengthening operational capacity of DGR through the provision of technical advisory services and equipment to: (a) prepare strategies and define its role and functions, and (b) enable DGR to carry out activities related to Project implementation, including activities related to environmental safeguards.

Part D: Coordination, Monitoring and Evaluation

1. Provision of technical advisory services and logistical assistance, and acquisition of equipment and material for the benefit of PCU and its regional offices for the overall implementation of the Project.
2. Carrying out of monitoring and evaluation of the Project through the establishment and implementation of a monitoring and evaluation system.

\* \* \*

The Project is expected to be completed by December 31, 2004.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

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

Part B: International Competitive Bidding

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

(a) Grouping of contracts

To the extent practicable, contracts for goods and works shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods

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

(c) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$9,300,000 equivalent, and goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$368,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$4,100,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement from UN Agencies

Vehicles, equipment and drugs estimated to cost less than \$100,000 equivalent per contract, may be procured from IAPSO or UNIPAC in accordance with the provisions of paragraph 3.9 of the Guidelines.

4. Community Participation

(a) Small works under Part B of the Project, estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$13,300,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from qualified domestic contractors in response to a written invitation. The invitation shall be issued to contractors selected on the basis of prequalification from the anticipated annual regional work program, and shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

(b) Notwithstanding the provisions of paragraph (a) above, contracts under Part B of the Project, costing less than \$5000, may be procured through direct contracting by using the list of prequalified contractors.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the

provisions of said paragraph 1.

2. Prior Review

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

3. Post Review

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

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, (the Consultant Guidelines), and 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 estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for financial and technical audits 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 small studies and supervision of civil works estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services for training and technical advisory services to local communities under Part B of the Project which are estimated to cost less than \$5,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines 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 \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

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

SCHEDULE 4

Implementation Program

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

2. (a) The Borrower shall, not later than September 1 of each year, prepare and furnish to the Association an annual work plan and budget (AWPB). The Borrower and the Association shall discuss each AWPB at the joint annual review meeting and, after incorporating the comments of the Association, the Borrower shall, not later than December 1, approve the AWPB.

(b) Without limitation upon the provision of paragraph (a) above, for each Subproject, the AWPB shall also include all activities to mitigate and compensate for the environmental damages identified in the environmental impact assessment. For the purpose of general oversight of the Project, the Borrower shall establish, and maintain until the completion of the Project, a Project Steering Committee (PSC) to be presided over by the Prime Minister or his representative, and composed of equal number of representatives from the Borrower's concerned ministries and civil society.

(c) The PSC shall, inter alia, (i) facilitate working relations amongst institutions concerned by Project implementation, (ii) review the progress towards achieving the Project's objectives and approve and evaluate the Project's annual work program and budget, (iii) ensure the participation of the key stakeholders in the general orientation of the Project; and (iv) organize at least once a year a joint meeting between the Borrower and the donors participating in the Project's financing.

(d) The Borrower shall maintain, until the completion of the Project, the Project Coordination Unit.

(e) The PCU shall be assisted by a number of key staff, appointed in accordance with the provisions of Section II of Schedule 3 to this Agreement, including a Project coordinator, financial and administrative manager, monitoring and

evaluation coordinator, an accountant, and nine regional coordinators.

3. The PCU shall be responsible for: (i) overall coordination regarding the implementation of the different Parts of the Project, (ii) the consolidation of annual work programs and budgets, (iii) the setting-up and implementation of an independent monitoring and evaluation system, (iv) the design and implementation of media campaign, and (v) the financial and administrative management of the Project.

4. The Borrower shall establish, at the regional level, Project coordination offices staffed by a Regional Coordinator (RC).

5. The Regional Coordinator shall coordinate Project activities at the regional level, provide support to participating CRs, and ensure implementation of the regular monitoring and evaluation program and shall report directly to the Project Coordinator.

6. The Borrower shall carry out Part A of the Project through DCL, Parts B, C.1, C.2 and D of the Project through PCU, Part C.3 of the Project through DGR.

7. (a) The Borrower shall carry out jointly with the Association, a comprehensive annual project implementation review aimed at: (i) annually documenting progress toward objectives; (ii) identifying and resolving obstacles to project implementation; and (iii) adjusting, in agreement with the Association, targets and corresponding programs to reflect progress achieved in the implementation of the Project as of the date of the review, and ensuring responsiveness to changes to effectively achieve the objectives of the Project.

(b) The Borrower shall, not later than four weeks prior to the review referred to in (a) above, furnish to the Association a report, in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in Project implementation.

(c) Promptly after completing such reviews, the Borrower shall carry out recommendations arising out of said reviews, with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

8. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Performance Indicators referred to in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about December 31, 2001, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by January 31, 2002, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

9. The Borrower shall furnish to the Association at the end of the first and third quarters of each year, a progress report including information on the Performance Indicators based on data from the monitoring system. The report shall include, inter alia: (a) a summary statement on the status of execution of each activity under the Project; and (b) a table showing compliance with project covenants and progress in implementing agreed policy objectives.

10. The Borrower shall cause each Implementing Agency to prepare and submit to the Monitoring and Evaluation (M & E) Coordinator, a biannual progress report, no later

than January 31 and July 31 in each year. The M&E Coordinator thereafter shall incorporate the contents of the individual reports into a consolidated progress report for the entire Project and furnish it to the Association.

11. The Borrower shall carry out, not later than January 31, 2002 or such later date as the Borrower and the Association may agree, and every 24 months thereafter, an independent performance evaluation of the Project. Such performance evaluation shall be based on data provided by the evaluation system as well as on surveys and interviews of beneficiaries and the different partners participating in Project implementation and shall include: (i) the effects of Project activities on the beneficiaries with particular focus on vulnerable groups; (ii) the operational audit of the Project; and (iii) the lessons learned, which can serve to improve the efficiency in Project implementation, and to make adjustments to the Project Implementation Manual.

#### Part A of the Project

12. To assist CRs in carrying out their participatory diagnoses, and the updating of LDP, the Borrower shall appoint field operators in each identified CR. The participatory diagnosis shall aim at ensuring that all stakeholder groups, including vulnerable groups, are properly represented, and facilitating participatory planning of local investments, identification of priority investment, dissemination of information throughout the CR, and creation of local synergies.

#### Part B of the Project

13. The Project Coordinator shall be responsible for the management of the LIF at the national level. The CRs shall be responsible for the implementation of community Microprojects. All community Microprojects proposals shall contain the following: (i) identification, selection, operation, oversight and maintenance, by and for the benefit of communities; (ii) contractual implementation of works by local artisans, private enterprises, or by the communities themselves; (iii) responsibility for technical supervision and monitoring of Microproject implementation shared by CRs, territorial administration and deconcentrated sectoral services.

14. The Borrower shall implement Part B of the Project in accordance with the operating procedures and eligibility criteria specified below, and in more detail, in the Project Implementation Manual. To be eligible for financing from the proceeds of the Credit, each proposed Microproject shall be consistent with the LDP and shall: (i) have been identified, prepared and designed by a local community; (ii) include implementation arrangements which are simple and flexible, and require the Microproject to be executed by local contractors, local artisans, and communities themselves ensuring transparency and accountability at all levels, or include plans for the gradual empowerment of local communities to execute the Microproject themselves; and (iii) be a Microproject that can be sustained and replicated.

15. Each CR shall be responsible for the management and supervision of capital investments under Part B of the Project.

16. For the purpose of maintaining each Microproject, the Borrower shall establish an Infrastructure Maintenance Committee (IMC) for each such Microproject, and cause each CR to establish a budget line for the maintenance of its infrastructure.

#### 17. Terms and Conditions of Grants made for Micro-Projects

For purposes of financing Microprojects, the Borrower shall enter into appropriate arrangements with Beneficiaries, under terms and conditions satisfactory to the Association, which shall include the following:

(a) the obligation of the Beneficiary to: (i) carry out the Microproject with due diligence and efficiency and in accordance with sound technical, financial, environmental, managerial and participatory standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Microproject; (ii) ensure that every Microproject is fully consistent with environmental criteria set out in the Project Implementation Manual, and where appropriate, mitigation measures designed to minimize adverse effects of proposed Microprojects are identified and incorporated in the Microproject



design; and (iii) establish and maintain a fund aimed at mobilizing financial resources required to ensure an adequate, regular and sustainable maintenance of the infrastructure developed by the Beneficiary with the proceeds of the Grant;

(b) the requirement that: (i) the goods, works and services to be financed from the proceeds of the Credit shall be procured in accordance with procedures ensuring efficiency and economy, and (ii) such goods, works and services shall be used exclusively in the carrying out of the Microproject; and

(c) 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 the Microproject, the operations thereof and any relevant records and documents. Part C of the Project

18. The Borrower shall implement Part C of the Project in accordance with the operating procedures and eligibility criteria specified below, and in more detail, in the Project Implementation Manual. To be eligible for financing from the proceeds of the Credit, each proposed Subproject shall: (i) have been identified, prepared and designed by a local community; (ii) include implementation arrangements which are simple and flexible, and require the Subproject to be executed by local contractors, local artisans, and communities themselves ensuring transparency and accountability at all levels, or include plans for the gradual empowerment of local communities to execute the Subproject themselves; and (iii) be a Subproject than can be sustained and replicated.

19. In the carrying out of Part C of the Project, the Borrower shall ensure that: (i) the community roads identified for improvement, are consistent with the overall plan for rural infrastructure, as articulated in the LDP; (ii) the proposed program (service level) is consistent with the Borrower's rural transport strategy; (iii) a local contribution as specified in the project Implementation Manual is provided for; (iv) the CR has retained necessary technical assistance; and (v) the rural roads funded under the Project have a satisfactory track record of maintenance.

20. For the purpose of maintaining each Subproject, the Borrower shall establish an Infrastructure Maintenance Committee (IMC) for each such Subproject, and cause each CR to establish a budget line for the maintenance of its infrastructure.

#### 21. Terms and Conditions of Grants made for Subprojects

For purposes of financing Subprojects, the Borrower shall enter into appropriate arrangements with Subproject Beneficiaries, under terms and conditions satisfactory to the Association, which shall include the following:

(a) the obligation of the Subproject Beneficiary to: (i) carry out the Subproject with due diligence and efficiency and in accordance with sound technical, financial, environmental, managerial and participatory standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subproject; (ii) ensure that every Subproject is fully consistent with environmental criteria set out in the Project Implementation Manual, and where appropriate, mitigation measures designed to minimize adverse effects of proposed Subprojects are identified and incorporated in the Subproject design; and (iii) establish and maintain a fund aimed at mobilizing financial resources required to ensure an adequate, regular and sustainable maintenance of key infrastructure developed by the Subproject Beneficiary with the proceeds of the Grant;

(b) the requirement that: (i) the goods, works and services to be financed from the proceeds of the Credit shall be procured in accordance with procedures ensuring efficiency and economy, and (ii) such goods, works and services shall be used exclusively in the carrying out of the Subproject; and

(c) 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 the Subproject, the operations thereof and any relevant records and documents.

## Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (6), set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to CFAF 1,000,000,000, to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to CFAF 500,000,000, until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 2,000,000.

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

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

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

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

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

4. For each payment made by the Borrower out of the Special Account, 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 paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

#### SCHEDULE 6

##### Performance Indicators Support for Decentralized Rural Development

1. Legislation relative to CRs' decentralized taxation and financial management, and relative to the reform of fiscal transfers to CR have been reviewed and adopted by the Borrower;

2. Regulatory texts, prepared by the National Council for Local Communities Development, which harmonize implementation modalities of decentralized rural development policies and programs have been reviewed and adopted by the Borrower;

3. The end of project beneficiary participatory evaluation has revealed that populations of target rural communes, including the marginalized and vulnerable groups, are satisfied with their participation level in the decentralized rural development processes established under the first phase of NRIP, and find that rural infrastructures funded under NRIP respond to their basic needs;

4. The monitoring and evaluation system established under NRIP is operational;

5. At least 80% of participating CRs have received at least 80% of the planned training;
  6. At least 80% of targeted CRs have designed a detailed local development plan in a participatory manner;
  7. At least 70% of targeted CRs have an unqualified financial audit.
  8. Local Investment Fund At least 60% of approved Microprojects (in year 1, 2, and 3) have been successfully completed;
  9. At least 70% of targeted CRs have successfully completed at least two infrastructure Microprojects.
  10. Community Roads Program 60% of the total kilometer of the community roads rehabilitated under NRIP receive regular maintenance consistent with the adopted maintenance strategy.
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