

CONFORMED COPY

CREDIT NUMBER 3337 BU

Development Credit Agreement

(Emergency Economic Recovery Credit)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 8, 2000

CREDIT NUMBER 3337 BU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 8, 2000, between REPUBLIC OF BURUNDI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower intends to carry out an emergency recovery and reconstruction program to stabilize the economy, prepare an environment for economic recovery and restore essential social services; said proceeds to be sold through a foreign exchange auction, administered with the assistance of the Banque de la Republique du Burundi (BRB), to importers in the private sector for the importation of goods required for the Program;

(B) 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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through December 2, 1997), with the modifications set forth below, (the General Conditions) constitute an integral part of this Agreement:

(a) A new paragraph (c) is added to Section 3.04 to read:

"If the Association shall at any time receive less than the full amount then due and payable to it under the Development Credit Agreement, the Association shall have the right to allocate and apply the amount so received in any manner and for such purposes under the Development Credit Agreement as the Association shall in its sole discretion determine"; and

(b) Section 11.01 is modified by replacing, in the second sentence, the word "radiogram" with the word "facsimile" and adding a new sentence at the end of the said Section to read:

"Deliveries made by facsimile transmission shall also be confirmed by mail."

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) "BRB" means Banque de la République du Burundi, the Borrower's central bank;

(b) "Eligible Importers" means the importers qualified by the Borrower for participation in the Foreign Exchange Auctions (as hereinafter defined) in accordance with eligibility criteria and terms and conditions satisfactory to the Association, including criteria and terms and conditions set out in the FEXMA Manual (as hereinafter defined);

(c) "FEXMA Manual" means the manual referred to in paragraph 1 (a) (ii) of Schedule 5 to this Agreement;

(d) "Foreign Exchange Auctions" means the foreign exchange auctions to be held under the Foreign Exchange Regulations (as hereinafter defined);

(e) "Foreign Exchange Regulations" means the "Regulations Related to Foreign Exchange Bureaux and Accounts in Foreign Currencies" made by the BRB and dated November 12, 1999, as amended to the date of this Agreement;

(f) "Franc Burundais" and "FBU" mean the currency of the Borrower.;

(g) "HSCC" means the Borrower's Harmonized System Customs Code dated January 1, 1993, as amended to the date of this Agreement;

(h) "LCA Manual" means the manual referred to in paragraph 1 (a) (iii) of Schedule 5 to this Agreement;

(i) "Local Currency Account" means the account referred to in Section 2.02 (dc) of this Agreement;

(j) "NGOs" means nongovernmental organizations;

(k) "Project Accountants" means the accountants referred to in paragraph 4 (d) of Schedule 5 to this Agreement;

(l) "Project Implementation Manual" means the manual referred to in paragraph 1 (a) (i) of Schedule 5 to this Agreement;

(m) "Project Manuals" means the Project Implementation Manual, the FEXMA Manual, and the LCA Manual; and

(n) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreements signed: (i) on behalf of the Association on July 1, 1999 and on behalf of the Borrower on July 10, 1999; and (ii), as amended by letter agreement on behalf of the Association and the Borrower on September 28, 1999;

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

(p) "Steering and Policy Committee" means the committee referred to in paragraph 4 (a) of Schedule 5 to this Agreement; and

(q) "Technical Implementation Committee" means the committee referred to in paragraph 4 (c) of Schedule 5 to this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty-six million, two hundred thousand Special Drawing Rights (SDR 26,200,000).

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.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in the BRB 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 6 to this Agreement. Prior to furnishing to the Association the first request for withdrawal from the Credit Account, the Borrower shall open and thereafter maintain in BRB a deposit account in Dollars on terms and conditions satisfactory to the Association. All withdrawals from the Credit Account shall be deposited by the Association into the Deposit Account. The proceeds of the Credit allocated to Category (1) in the table in paragraph 1 of Schedule 1 to this Agreement, shall be sold, for the purposes of the Program, through the Foreign Exchange Auction Market in accordance with provisions set out or referred to in this Agreement.

(c) The proceeds of the Credit allocated to Category (1) in the table in paragraph 1 of Schedule 1 to this Agreement shall be made available to Eligible Importers through the series of Foreign Exchange Auctions to be held under the Project, in accordance with terms and conditions satisfactory to the Association, including terms and conditions requiring said importers to use the proceeds so made available to finance the importation of items referred to in Schedule 3 to this Agreement, and such items shall be used exclusively for purposes of the Project.

(d) Prior to furnishing to the Association the first request for withdrawal from the Credit Account, the Borrower shall open and thereafter maintain in the BRB a Local Currency Account in Franc Burundais on terms and conditions satisfactory to the Association. All proceeds of the Credit received by the Borrower through the Foreign Exchange Auctions sales shall be promptly deposited by the Borrower into the Local Currency Account and used exclusively for developmental purposes satisfactory to the Association. All the proceeds of the Credit sold through the Foreign Exchange Auction Market shall be deposited by the Association into the Local Currency Account and used exclusively for developmental purposes1 satisfactory to the Association.

(e) 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 April 30, 2002 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

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

Section 2.07. (a) Subject to paragraphs (b), (c), and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15, commencing September 15, 2010 and ending March 15, 2040. Each installment to, and including the installment payable on, March 15, 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.

Section 2.09. (a) The BRB is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts the BRB with the responsibility for the preparation of withdrawal applications under the Credit and for the collection of the documents and other evidence to be furnished to the Association in support of such applications.

(c) The withdrawal applications mentioned in subparagraph (b) above shall, to the extent practicable, be consolidated so as to apply for withdrawal of aggregate amounts of not less than \$2,000,000 equivalent.

ARTICLE III

Particular Covenants Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and economic 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 5 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. (a) The Borrower declares its commitment to the Program, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and managerial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Program.

(b) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Project.

(c) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Project, in such detail as the Association shall reasonably request.

(d) Without limitation upon the provisions of paragraph (ba) of this Section, the Borrower shall exchange views with the Association on any proposed action to be taken after the disbursement of the Credit which would have the effect of materially reversing the objectives of the Project or any action taken under the Project.

Section 3.04. Upon the Association's request, the Borrower shall:

(a) have the Deposit Account audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(b) furnish to the Association as soon as available, but in any case not later than six months after the date of the Association's request for such audit, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(c) furnish to the Association such other information concerning the Deposit Account and the audit thereof as the Association shall have reasonably requested.

Section 3.05. Except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out activities required under the Program in accordance with the Implementation Program set forth in Schedule 3 to this Agreement.

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 and the Local Currency 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: (A) no later than six (6), ten (10), and fourteen (14) months after the Effective Date; and (B) thereafter, no later than every six (6) months, the report of any Special Account audits by said auditors, of such scope and in such detail as the Association shall have reasonably requested;

(iii) furnish to the Association: (A) no later than eight (8) months after the Effective Date; and (B) thereafter, no later than every six (6) months, the report of any Local Currency Account audits by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iv) 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:

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

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

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

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

ARTICLE V

Remedies Additional Event of Suspension

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that the Foreign Exchange Regulations and HSCC shall have been amended, suspended, abrogated, repealed, or waived so as to affect materially and adversely the ability of the Borrower to carry out the Project or to perform any of its obligations under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that any event specified in Section 5.01 of this Agreement shall occur.

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, namely that the Borrower has:

- (a) opened the Special Deposit Account;
- (b) opened the Local Currency Account;
- (c) (i) furnished to the Association the FEXMA Manual in form and substance satisfactory to the Association; and and (ii) taken actions, satisfactory to the Association, for the carrying out of implementation of the Foreign Exchange Auctions Market;
- (d) employed the Project Accountants, in accordance with the provisions of Section II of Schedule 4 to this Agreement; and
- (e) furnished to the Association the LCA Manual in form and substance satisfactory to the Association.

Section 6.02. The date ninety days (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. Except as provided in Section 2.09 of this Agreement, the Minister responsible for finance of the Borrower 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:

Ministère des Finances
B.P. 1830
Bujumbura Burundi

Telex:

5135

Facsimile:

(257) 223827
MINIFINBDI

For the Association:

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

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

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 BURUNDI

By /s/ Thomas Ndikumana
 Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo
 Regional Vice President
 Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Imports	33,300,000	100% of foreign expenditures
(2) Consultants' services	645,000	100%
(3) Refunding of Project Preparation Advance	675,000	Amount due pursuant to Section 2.02 (de) of this Agreement
TOTAL	<u>35,000,000</u>	

2. For the purposes of this Schedule:

(a) the term "imports" means the goods listed in Schedule 3 to this Agreement; and

(b) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods supplied from the territory of any country other than that of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount of SDR 5,240,000, may be made on account of payments made for eligible expenditures before that date but after March 26, 1999.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditures (i) for goods under contracts not exceeding \$500,000 equivalent each; and (b) for consultants' services under contracts not exceeding (A) \$100,000 each for consulting firms, and (B) \$50,000 each for individual consultants, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in stabilizing the economy, preparing an environment for economic recovery and restoring essential social services.

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 objective:

Part A: Importation of Goods Specified in Schedule 3 to this Agreement for:

1. The Agriculture Sector
2. The Industrial Sector
3. The Transport Sector
4. The Mining Sector

Part B: Consultants' Services

1. Preparation of (i) a public expenditure review; (ii) a survey on the performance of consumer welfare; and (iii) a manual of procedures for clearance of arrears to the private sector. Design of the Foreign Exchange Auction. Carrying out of audits.

* * * * *

The Project is expected to be completed by October 31, 2001.

SCHEDULE 3

List of Imports Eligible for Financing Under the Credit

1. Agricultural products (HSCC 06 - 14, Section II)
2. Mineral products (HSCC 25 - 27, Section V)
3. Products of the chemical industry or of related industries (HSCC 28 - 38, Section VI)
4. Plastics and articles made from plastics; rubber and rubber articles (HSCC 39 - 40, Section VII)
5. Charcoal, wooden articles, cork and cork articles, esparto, basket work or wickerwork articles (HSCC 44 - 46, Section IX)
6. Wood pulp or pulp made from other cellulosic fibrous materials: scrap and waste paper cardboard; paper and its application (HSCC 47 - 49, Section X)
7. Textiles and textile articles (HSCC 50 - 63, Section XI)

8. Articles made from stone, plaster, cement, asbestos, mica, or similar substances; ceramic products; glass articles (HSCC 68 - 70, Section XIII)
9. Base metals and articles made from such metals (HSCC 72 - 83, Section XV)
10. Machinery appliances; electrical appliances and related parts; stereo systems and other electronic appliances; scanning equipment; recording appliances, television and video appliances; and all related parts (HSCC 84 - 85, Section XVI)
11. Transport equipment (HSCC 86 - 89, Section XVII)
12. Optical, photographic, cinematographic, measurement, control, or precision instruments and apparatus; medical and surgical instruments and apparatus; parts and accessories for these instruments and apparatus (HSCC 90 - 92, Section XVIII)

SCHEDULE 4

Procurement

Section I: Procurement of Goods

Part A: General

Goods 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 Schedule.

Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph [5 of Appendix 1 thereto].

Part C: Other Procurement Procedures

1. Procurement of Imports Listed in Schedule 3 to this Agreement

(a) Commonly traded commodities estimated to cost less than the equivalent of \$2,000,000 per contract may be procured through organized international commodity markets or other channels of competitive procurement acceptable to the Association in accordance with the provisions of paragraph 2.65 of the Guidelines.

(b) Other goods under such list estimated to cost the equivalent of \$1,000,000 or more per contract may be procured under contracts awarded on the basis of simplified international competitive bidding procedures in accordance with the provisions of paragraphs 2.63 and 2.64 of the Guidelines.

(c) Other goods under such list procured by the private sector estimated to cost the equivalent of less than \$1,000,000 per contract may be procured in accordance with established commercial practices satisfactory to the Association. Limited International Bidding Specialized equipment and other equipment which the Association agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National or International Shopping

(a) Goods estimated to cost less than \$[30,000] equivalent per contract, up to an aggregate amount not to exceed \$[500,000] equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 of the Guidelines.

(b) Goods estimated to cost \$30,000 equivalent or more per contract, up to an aggregate amount not to exceed \$[1,000,000] equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with

the provisions of paragraph 3.6 of the Guidelines.

3. Procurement of Imports listed in Schedule 2 to this Agreement

(a) Commonly traded commodities may be procured through organized international commodity markets or other channels of competitive procurement acceptable to the Association in accordance with the provisions of paragraph 2.65 of the Guidelines.

(b) Other goods under such list estimated to cost \$[5,000,000] or more per contract may be procured under contracts awarded on the basis of simplified international competitive bidding procedures in accordance with the provisions of paragraphs 2.63 and 2.64 of the Guidelines.

(c) Other goods under such list procured by the private sector estimated to cost less than \$[5,000,000] per contract may be procured in accordance with established commercial practices satisfactory to the Association.

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 activities 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 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

(a) The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply with respect to:

(i) each contract for goods estimated to cost the equivalent of \$500,000 or more per contract procured under Parts B and C.1 of this Section;

(ii) the first two contracts for goods awarded on the basis of national shopping procedures; and

(iii) the first two contracts for goods awarded on the basis of international shopping procedures.

(b) With respect to each contract to be procured in accordance with national or international shopping procedures, the following procedures shall apply:

(i) prior to the selection of any supplier or execution of any contract under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the signing of any contract procured under direct contracting or shopping procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

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 following provisions of this Section II.

Part B: Quality- and Cost-Based Selection

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.

Part C: Other Procedures for the Selection of Consultants

1. Least -Cost Selection

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

2. 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.

3. Selection Based on Consultants' Qualifications

Services for economic studies and reviews 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.

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 \$[2100,000] 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 \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$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 5

Implementation Program

1. (a) The Borrower shall, for the purposes of the Project, prepare and furnish to the Association:

(i) a Project Implementation Manual in form and substance satisfactory to the Association, setting out details of all procedures, guidelines, timetables, and criteria required for the activities under the Project;

(ii) a Foreign Exchange Auction Market Manual (the FEXMA Manual) in form and substance satisfactory to the Association, setting out the policies and procedures for the implementation of the Foreign Exchange Auction market, including the eligibility and other qualifying criteria for participation in the Foreign Exchange Auctions said market; and

(iii) a Local Currency Account Manual (the LCA Manual) in form and substance satisfactory to the Association, setting out the procedures for the utilization of the equivalent in FBU of proceeds of the Credit paid into the Local Currency Account.

(b) The Borrower shall carry out the Project in accordance with the Project Implementation Manuals, and, except as the Association shall otherwise agree, the Borrower shall not amend or waive any provision of the Project Manuals (or concur in the amendment or waiver of any such provision) if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

(c) Without limitation or restriction upon the provisions of this paragraph, current primary dealers in Treasury certificates notes and private sector entities capable of posting the performance bonds and providing the payment guarantees payments required by the Foreign Exchange Auction market criteria and procedures, satisfactory to the Association, shall be eligible to participate in the Foreign Exchange Auctions market.

2. The Borrower shall:

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

(b) without limitation or restriction upon its other reporting requirements under the provisions of this Agreement, the Borrower shall, with effect from the quarter ending September 30, 2000, submit, quarterly, to the Association for review, progress reports on the implementation of the Project, said progress reports covering, among other things, (i) the status of disbursements and procurement; (ii) the volume of imports, as well as their clearance through the ports and transportation to the place of use; (iii) the effectiveness of internal distribution of goods to beneficiaries under the Project; (iv) the status of reconstruction activities; (v) the generation and use of counterpart funds; and (vi) any Project implementation issues, including prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph on the progress achieved in the carrying out of the Program during the period preceding the date of said report and setting out the measures recommended to ensure (A) the efficient carrying out of Project said activities, and (B) the achievement of the objectives thereof during the period following such

date;

(c) review with the Association by May 31 and November 30 of each year, or such later date as the Association shall request, the report referred to in subparagraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of Projectthe said activities 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; and

(d) without limitation or restriction upon any other provisions of this Agreement, the Borrower shall prepare and furnish to the Association financial statements, satisfactory to the Association, with respect to the operations of the Local Currency Account during the periods specified below, namely, no later than (i) April 30, 2001 for operations extending from the Effective Date through December 31, 2000; (ii) October 31, 2001 for operations extending from January 1, 2001 through June 30, 2001, (iii) April 30, 2002 for operations extending from July 1, 2001 through December 31, 2001; and (iv) October 31, 2002 for operations extending from January 1, 2002 through the Closing Date.

3. (a) The Borrower shall, no later than May 31, 2001, carry out, jointly with the Association, a midterm review of the progress made in carrying out the Projectthe activities relating to the Program. The midterm review shall include the progress made in meeting the objectives of the Project.

(b) The Borrower shall carry out, no later than one month after the completion of the midterm review, the recommendations of the midterm review as agreed with the Association and set out in an action plan for the Project satisfactory to the Association.

4. (a) The Borrower shall establish a Steering and Policy Committee. The members of the Steering and Policy Committee shall include (i) the Borrower's Second Vice President as Chairman of the Committee; (ii) the Minister of Finance as Vice President of the Committee; (iii) the Ministers of Planning and Reconstruction, Peace Process and Industry and Commerce; and (iv) representatives of NGOs. The Steering and Policy Committee shall oversee, and provide guidance to, the Technical Implementation Committee in the discharge of its functions.

(b) The Borrower's Ministry of Finance shall have overall responsibility for the implementation and monitoring of the Projectactivities relating to the Program, including coordination between various donors involved in the carrying out of the Projectsaid activities. Sectoral Project rehabilitation activities shall be managed by the respective line ministries. The Ministry of Finance shall, on a three-monthly basis, furnish to the Association for review detailed progress reports on the implementation of the Projectsaid Program activities.

(c) The Borrower shall establish a Technical Implementation Committee in a form and with functions, staffing, and resources satisfactory to the Association. The members of the Technical Implementation Committee shall include representatives of the Borrower's Ministries of Health, Education, Agriculture, and Reintegration and Resettlement, and the BRB. The Technical Implementation Committee shall be responsible for the coordination of activities required for the carrying out of the Project activities.

(d) The Borrower shall appoint and assign to the Project two accountants with qualifications and experience satisfactory to the Association.

(e) Without limitation or restriction upon any other provisions of this Agreement, one of the accountants to be appointed under subparagraph (d) of this paragraph shall be responsible for dealing with matters relating to the operation of the Special Account, including (i) the maintenance on behalf of the Borrower of adequate records for deposits into, and payments out of, the Special Account; (ii) the retention of all documentary evidence supporting transactions relating to the Special Account; and (iii) the preparation of statements of sources and uses of funds statements relating to the Special Account.

(f) The other accountant to be appointed under said subparagraph (d) shall be responsible for dealing with matters relating to the operation of the Local Currency

Account, including: (i) the maintenance on behalf of the Borrower of adequate records for deposits into, and payments out of, the Local Currency Account; (ii) the retention of all documentary evidence supporting transactions relating to the Local Currency Account, and (iii) the preparation of statements of sources and uses of funds statements relating to the Local Currency Account.

(g) The Borrower shall establish a Steering and Policy Committee in a form and with functions, staffing and resources satisfactory to the Association. The members of the Steering and Policy Committee shall include: (i) the Borrower's Second Vice President as head of the Committee; (ii) the Ministers of Finance, Planning and Reconstruction, Peace Process and Industry and Commerce; (iii) representatives of NGOs. The Steering and Policy Committee shall oversee, and provide guidance to, the Technical Implementation Committee in the discharge of its functions.

5. The Borrower shall ensure that the timing and number of of, and the volume of foreign exchange sold at, the Foreign Exchange aAuctions and the volume of foreign exchange sold at each auction held as part of the Program activities shall be consistent with the capacity of the Borrower's economy to absorb the resources provided under the Project.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) 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 \$15,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or 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 paragraphs 6 (a), (b), and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

