

CONFORMED COPY

CREDIT NUMBER 2802 ANG

Development Credit Agreement

(Social Action Project)

between

REPUBLIC OF ANGOLA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 17, 1996

CREDIT NUMBER 2802 ANG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 17, 1996 between REPUBLIC OF ANGOLA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or

import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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

(a) "Administrative Manual" (Manual de Gestao) means the manual adopted by FAS (as hereinafter defined) on July 26, 1995 regulating the functioning of FAS, as the same may be amended from time to time;

(b) "Beneficiary Community" means a community, as defined in Article 14 of Decree 44/94 dated October 5, 1994;

(c) "FAS" means Fundo de Apoio Social, the Borrower's Social Action Fund, established by Decree No. 44/94 dated October 5, 1994;

(d) "FAS Project Account" means the Borrower's account for FAS referred to in Section 3.05 (a) of this Agreement;

(e) "Financing Agreement" means an agreement to be entered into between FAS and a Subproject Committee (as hereinafter defined) for the financing of a Subproject through the provision of a grant;

(f) "GMCVP" means Gabinete de Monitorizacio das Condicies de Vida da Populacio, the office within INE (as hereinafter defined) for monitoring the living conditions of the Borrower's population, to be established in accordance with the INE Regulations (as hereinafter defined);

(g) "INE" means Instituto Nacional de Estatistica, the Borrower's National Statistics Institute established by Decree 72/73 of August 25, 1973;

(h) "INE Project Account" means the Borrower's account for INE referred to in Section 3.05 (b) of this Agreement;

(i) "NBO" (Comite de Coordenacio Nacional) means the Borrower's National Board of Overseers, established by Decree No. 44/94 dated October 5, 1994;

(j) "Kwanza Readjusted" (Kwanza Reajustado) or the acronym "KZR" means the currency of the Borrower;

(k) "NGO" means a nongovernmental organization operating in the territory of the Borrower;

(l) "Procedural Manual" (Manual de Procedimentos) means the manual of procedures adopted by FAS on July 26, 1995 describing the procedures for procurement and disbursement and the cycle of a Subproject to be utilized by FAS in the implementation of Part A of the Project, as the same may be amended from time to time;

(m) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated May 17 and May 30, 1994; January 30 and February 10, 1995; and July 25 and August 17, 1995 between the Borrower and the Association;

(n) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(o) "INE Regulations" means the Borrower's regulations relating to, amongst other matters, the status and regulation of INE and the establishment of GMCVP;

(p) "Subproject" means a specific development project which meets the criteria set forth in Chapter 5 of the Procedural Manual, and which is to be financed in whole or in part out of the proceeds of the Credit;

(q) "Subproject Committee" (Nucleo Comunitario) means the committee to be established by each Beneficiary Community in accordance with the Procedural Manual and paragraph 3 of Part C of Schedule 4 to this Agreement for the purpose of identifying, preparing and carrying out Subprojects; and

(r) "Subsidiary Grant Agreement" means the agreement to be entered into between the Borrower and FAS pursuant to Section 3.01 (c) of this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to sixteen million one hundred thousand Special Drawing Rights (SDR 16,100,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of Part A and Part B of the Project, respectively, open and maintain in dollars two special deposit accounts (Special Account A in respect of Part A of the Project and Special Account B in respect of Part B of the Project) in a commercial bank or commercial banks, each on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the two Special Accounts 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 December 31, 2000 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 or 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 payment 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 per cent (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) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15, commencing March 15, 2006 and ending September 15, 2035. Each installment to, and including the installment payable on September 15, 2015, 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 gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, 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 terms of repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the Association may revise such modification 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.

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end:

- (i) shall cause FAS to carry out Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable FAS to carry out Part A of the Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of Part A of the Project by FAS; and
- (ii) shall carry out Part B of the Project through GMCVP within INE with due diligence and efficiency and in conformity with appropriate administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Part B of 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 cause FAS to carry out Part A of the Project and, through INE, shall carry out Part B of the Project, all in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall make available to FAS, on a grant basis, a portion of the proceeds of the Credit under the Subsidiary Grant Agreement to be entered into between the Borrower and FAS, under terms and conditions which shall have been approved by the Association and which shall include a provision granting the amounts from time to time allocated to Categories (1), (2) (a), (3), (4) and (6) (a) of the table in paragraph 1 of Schedule 1 to this Agreement.

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

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

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

Section 3.04. Without limitation upon the provisions of Section 3.01, the Borrower shall:

(a) maintain, until completion of the Project, an account (the FAS Project Account) in a commercial bank acceptable to the Association and on terms and conditions acceptable to the Association, and at quarterly intervals, deposit into the FAS Project Account an amount equivalent to the estimated amount required by FAS for expenditures which are not otherwise financed from the proceeds of the Credit in the following quarter or any other amount required for Part A of the Project, as agreed between the Borrower and the Association;

(b) open and maintain, until completion of the Project, an account (the INE Project Account) in a commercial bank acceptable to the Association and on terms and conditions acceptable to the Association, deposit into the INE Project Account an initial amount in KZR equivalent to \$5,000 (the Initial Deposit), and thereafter, at quarterly intervals following the deposit of the Initial Deposit, deposit into the INE Project Account an amount equivalent to the Initial Deposit or any other amount required for Part B of the Project, as agreed between the Borrower and the Association; and

(c) ensure that the amounts deposited into the FAS Project Account and the INE Project Account, in accordance with paragraphs (a) and (b) of this Section, respectively, will be used exclusively for the Borrower's counterpart expenditures under the Project and be made available to FAS and INE for the purposes of carrying out Parts A and B of the Project, respectively, in accordance with the financing plans agreed at each review undertaken in accordance with paragraph 1 of Part A of Schedule 4 to this Agreement.

Section 3.05. The Borrower, through GMCVP, shall:

(a) carry out the studies included in Part B of the Project, under terms of reference and in accordance with a timetable satisfactory to the Association;

(b) furnish to the Association, promptly after the completion of each such study, a copy of the final study, GMCVP's findings and recommendations;

(c) afford the Association a reasonable opportunity to comment on such findings and recommendations; and

(d) ensure that the studies carried out under the Project and findings and recommendations relating thereto shall be made available to the public.

Section 3.06. The Borrower, throughout the execution of the Project, shall:

(a) maintain, within INE, the GMCVP, with functions, responsibilities and terms of reference satisfactory to the Association, and with higher level staff, in sufficient number and with qualifications and experience acceptable to the Association, responsible for the implementation of Part B of the Project;

(b) take all necessary measures to make available housing, office space and transportation to consultants engaged to assist in the carrying out of studies under Part B of the Project;

(c) staff, operate and maintain the public facilities constructed or rehabilitated under Part A.1 of the Project in a manner satisfactory to the Association; and

(d) take into account the recommendations of GMCVP made in accordance with Section 3.06 (b) in its preparation of its future poverty reduction strategy.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain, in respect of Part B of the Project, and cause FAS to maintain, in respect of Part A of the Project, separate records and accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of Part B and Part A of the Project, respectively.

(b) The Borrower shall, and shall cause FAS to:

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

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special 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

Other Covenants

Section 5.01. The Borrower shall cause FAS:

- (a) to take out and maintain with responsible insurers, or to make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice;
- (b) to carry on its operations and conduct its affairs in accordance with sound administrative and financial practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and
- (c) at all times to operate and to maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering and financial practices.

ARTICLE VI

Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) The Borrower's Decree No. 44/94 or Executive Decree No. 2/94 shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of FAS to perform any of its obligations under the Subsidiary Grant Agreement.

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that FAS will be able to carry out Part A of the Project.

(c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of FAS or for the suspension of its operations.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of INE or for the suspension of its operations.

(e) The INE Regulations shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations in respect of Part B of the Project.

Section 6.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that any event specified in paragraphs (a), (c), (d) and (e) of Section 5.01 of this Agreement shall occur.

ARTICLE VII

Effective Date; Termination

Section 7.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Subsidiary Grant Agreement has been executed on behalf of the Borrower and FAS.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Subsidiary Grant Agreement has been duly authorized or ratified by the Borrower and FAS and is legally binding upon the Borrower and FAS in accordance with its terms.

Section 7.03. The date sixty (60) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Representatives of the Borrower; Addresses

Section 8.01. The Minister of Planning of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Planning
Largo do Palacio
Luanda
Republic of Angola

Cable address:

MINPLAN
Luanda, Angola

Telex:

3082

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 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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 ANGOLA

By /s/ Franca NpDalu

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works	100,000	100% of foreign expenditures and 95% of local expenditures
(2) Goods:	660,000	
(a) FAS		100% of foreign expenditures and 95% of local expenditures
(b) GMCVP	100,000	100% of foreign expenditures and 95% of local expenditures
(3) Subprojects under Part A	8,540,000	100% of amounts disbursed by FAS

	of the Project		for each Subproject for which a Financing Agreement has been entered into
(4)	Consultants' Services and Training under Part A of the Project	1,130,000	100%
(5)	Consultants' Services and Training (including Studies) under Part B of the Project	1,440,000	100%
(6)	(a) FAS Operating Costs	1,130,000	95%
	(b) GMCVP Operating Costs	260,000	100% for the first two years of execution of Part B of the Project and 80% thereafter
(7)	Refunding of Project Preparation Advance	1,330,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(8)	Unallocated	1,410,000	
	TOTAL	16,100,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term "FAS Operating Costs" means the incremental operating costs arising under Part A of the Project on account of local contractual staff salaries, travel and other staff allowances, rental and maintenance of equipment, vehicles, fuel, spare parts and vehicle insurance, office rental materials and supplies, utilities and communications expenses; and

(d) the term "GMCVP Operating Costs" means the incremental operating costs arising under Part B of the Project on account of local contractual staff salaries, the operation and maintenance of office equipment, materials and supplies, and vehicles (including fuel).

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures: (a) prior to the date of this Agreement; and (b) under Categories (2) (b), (5) and (6) (b) until: (i) INE has adopted a manual of procedures for GMCVP's operation satisfactory to the Association; (ii) INE has appointed an administrator for GMCVP with qualifications, skills and experience and on terms of reference satisfactory to the Association; (iii) the Association has received a legal opinion, satisfactory to the Association, that the INE Regulations have been approved; and (iv) the Borrower has opened the INE Project Account and deposited the amount of the Initial Deposit into the INE Project Account.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods and works under contracts not exceeding \$100,000 equivalent, and for services: (i) for firms under contracts not exceeding \$50,000 equivalent, and (ii) for individuals under contracts not exceeding \$20,000 equivalent, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) improve access to basic services in rural and urban areas; (b) increase income-earning capacity and employment of the poor in rural and urban areas; (c) provide a better understanding of the main causes of poverty in order to help formulate adequate strategies and policies for poverty alleviation and socioeconomic development; and (d) strengthen the Borrower's capacity for poverty data collection, analysis and monitoring.

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: Social Fund

1. Carrying out of Subprojects related to health, education and vocational training, water supply and sanitation, agricultural production (markets, storage facilities and conservation plants), infrastructure and revenue-generating traditional and non-traditional activities for the benefit of a Beneficiary Community.
2. Provision of technical assistance for FAS staff responsible for the implementation of Part A.1 of the Project to assist them in selecting, monitoring and supervising Subprojects.
3. Provision of information through FAS and NGOs to potential and actual Beneficiary Communities to assist them in identifying, preparing and carrying out Subprojects.
4. Rehabilitation of offices and acquisition of vehicles and office equipment for use by FAS in carrying out Parts A.1, 2 and 3 of the Project.

Part B: Poverty Monitoring

1. Carrying out of studies and research on poverty and social issues, and systematic poverty monitoring through the conduct of household and community surveys and collection of statistics and information.
2. Establishment of a study program to fund studies and specific beneficiary and participatory assessments.
3. Establishment and maintenance of a national data base on poverty and related social issues.
4. Acquisition of vehicles and office equipment for use by GMCVP in carrying out Parts B.1, 2 and 3 of the Project.
5. Provision of technical assistance to GMCVP to assist it to carry out Parts B.1, 2 and 3 of the Project.

* * *

The Project is expected to be completed by June 30, 1999.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

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

Part B: International Competitive Bidding

1. 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.

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) 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.

(b) Dispute Review Board

Each contract for works estimated to cost \$5,000,000 equivalent or more shall include the provisions for a dispute review board set forth in the standard bidding documents for works referred to in paragraph 2.12 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost \$100,000 equivalent or less per contract, up to an aggregate amount not to exceed \$4,670,000 equivalent, and works estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,020,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

(a) Goods acquired for use by FAS and GMCVP and estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 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.

(b) Works for FAS offices estimated to cost \$50,000 equivalent or less per contract, and not to exceed \$200,000 in the aggregate, shall be procured under lump-sum, fixed price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, 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 successfully complete the contract.

3. Procurement from UN Agencies

Vehicles and office equipment costing \$1,300,000 equivalent or less in the aggregate may be procured from the UN Inter-Agency Procurement Services Office in accordance with the provisions of paragraph 3.9 of the Guidelines.

4. Community Participation

Works under Part A of the Project costing \$50,000 equivalent or less per contract, up to an aggregate amount not to exceed \$10,360,000 equivalent, and goods estimated to cost \$20,000 equivalent or less per contract, up to an aggregate amount not to exceed \$2,810,000 equivalent, shall be procured in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Prior Review

With respect to each contract for goods and works 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.

2. 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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Association, with such modifications thereto as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Association, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, shortlists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$50,000 equivalent each, or (b) contracts for the employment of individual consultants estimated to cost less than \$20,000 equivalent each. However, said exceptions to prior Association review shall not apply to: (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$50,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$20,000 equivalent or above.

SCHEDULE 4

Implementation Program

Part A: Project Reporting Requirements

1. (a) Without limitation or restriction upon its other reporting requirements under Section 9.05 and 9.06 of the General Conditions, the Borrower and the Association shall, semiannually, exchange views on the progress achieved in the carrying out of the Project. The first such exchange of views shall take place no later than six months after the Effective Date.

(b) 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 the carrying out of the Project, in such detail as the Association shall reasonably request. The progress report shall cover, amongst other things:

- (i) the administration and financial operations of FAS;
- (ii) the six-monthly work, training and procurement plans and budget in respect of Part A of the Project for the succeeding six-month period;
- (iii) in respect of Part A of the Project, compliance with the expansion strategy set forth in the Procedural Manual concerning the expansion of the area of operation of FAS and review of the expansion strategy, as necessary;
- (iv) the operating costs of FAS, including the operating costs of each provincial office;
- (v) in respect of Part A.1 of the Project, the results of the most recent external audits of a representative sample of Subprojects, a review of procurement, a description of monitoring activities of the quality and timeliness of implementation of Subprojects and a summary of the impact of the most recent Subprojects;
- (vi) in respect of Part B of the Project, a summary of survey activities, studies and statistical analysis undertaken thereunder, the number of studies carried out thereunder and the findings and recommendations of the surveys and studies;
- (vii) in respect of Part B of the Project, a summary of survey activities, studies and statistical analysis to be undertaken in the succeeding six-month period; and

(viii) in respect of Part A of the Project, the Administrative Manual and Procedural Manual and changes required (if any).

2. (a) On or about the date twenty-five (25) months after the Effective Date, or when one half (1/2) of the amount of the Credit has been disbursed, whichever is earlier, the Borrower shall carry out, jointly with the Association and FAS, a midterm review of the progress made in carrying out the Project (hereinafter referred to as the Midterm Review). The Midterm Review shall cover, among other things:

- (i) An assessment of: (a) work programs and budgets prepared to date; (b) training provided under the Project; (c) procurement under the Project; and (d) the status of Project monitoring indicators agreed upon with the Association and plans for updating such monitoring indicators.
- (ii) A review of the geographical, community, district and provincial indicators and of the distribution of the Subprojects under Part A.1 of the Project in order to evaluate the performance of the FAS in implementing Part A.1 of the Project.
- (iii) A review of the state of maintenance and of the infrastructure rehabilitated and constructed under Part A of the Project.
- (iv) An assessment of, among other things, whether the Borrower is maintaining the social infrastructure rehabilitated and constructed under Part A of the Project with sufficient personnel for its operation.
- (v) A discussion of the options for ensuring the long-term sustainability of the institutional arrangements for financing Part B of this Project.

(b) The Borrower shall cause FAS, at least four (4) weeks prior to the Midterm Review, to furnish to the Association a separate report describing the status of implementation of Part A of the Project and a summary report of Part A implementation.

(c) The Borrower, through INE, and at least four (4) weeks prior to the Midterm Review, shall furnish to the Association a separate report describing the status of implementation of the Project and a summary report of Part B implementation.

(d) The Borrower shall cause FAS, no later than four (4) weeks after the Midterm Review, to prepare an action program, acceptable to the Association, for the further implementation of Part A of the Project having regard to the findings of the Midterm Review, and thereafter implement such program.

(e) The Borrower, through INE, no later than four (4) weeks after the Midterm Review, shall prepare an action program, acceptable to the Association, for the further implementation of Part B of the Project having regard to the findings of the Midterm Review, and thereafter implement such program.

Part B: FAS Structure

Until Project completion, FAS will appoint personnel (including the Executive Director and Provincial Directors) to all key positions detailed in its organizational chart as set forth in the Administrative Manual, all such personnel to possess experience and qualifications acceptable to the Association.

Part C: Implementation of Subprojects under Part A.1 of the Project

1. Except as the Association shall otherwise agree, in carrying out Part A.1 of the Project, FAS shall apply the procedures and guidelines set out in the Administrative Manual and Procedural Manual. FAS shall not amend, suspend, abrogate, repeal or waive any provision of the Administrative Manual or the Procedural Manual in such a way that may, in the opinion of the Association, materially or adversely affect the execution of Part A of the Project. Implementation in accordance with the procedures and guidelines set out in the Administrative Manual and Procedural Manual shall include, but not be limited to, the following:

2. The following Subprojects will be eligible for financing under the Credit:

- (a) Expansion, repair and, where appropriate, construction of social infrastructure.
- (b) Rehabilitation and expansion of productive infrastructure.
- (c) Construction and rehabilitation of economic infrastructure.
- (d) Revenue-generating Subprojects, such as equipment and materials for use in small scale entrepreneurial activities.

3. Eligible Subprojects and the Beneficiary Community must meet the criteria and conditions specified in Chapters 2, 3 and 4 of the Procedural Manual.

4. The procedures in the Procedural Manual shall be followed in identifying, processing and approving Subprojects under Part A.1 of the Project. Subprojects estimated not to exceed \$20,000 will be approved at the provincial level. The provincial offices of FAS shall submit all Subprojects estimated to exceed \$20,000 to the FAS National Coordination Unit for approval. Subprojects estimated to exceed \$50,000 will be submitted to the NBO and the Association for approval prior to the signing of the respective Financing Agreements.

Part D: Financing Agreements under Part A.1 of the Project

FAS shall enter into a Financing Agreement with the Subproject Committee for the benefit of the Beneficiary Community. The terms of the Financing Agreement shall be satisfactory to the Association and shall include FAS obtaining rights adequate to protect the interests of the Borrower and the Association through, inter alia, the following provisions:

(a) The Subproject Committee shall carry out the Subproject with due diligence and efficiency in accordance with sound technical, financial and managerial standards and maintain adequate records.

(b) The goods, civil works and services to be financed out of the proceeds of the Credit for the Subproject shall be procured in accordance with the provisions of Schedule 3 to this Agreement.

(c) FAS shall have the right to inspect, by itself or jointly with the Association and the Borrower, the goods and sites, works, plants and construction included in the Subproject.

(d) FAS shall have the right to obtain all such information as FAS or the Association shall reasonably request regarding the goods, works, site, plant and construction included in the Subproject, the administration, operations and financial condition of the Subproject and the benefits to be derived from the Subproject.

(e) FAS shall have the right to suspend or terminate the right of a Subproject Committee to use the proceeds of the Credit for the relevant Subproject upon failure by any such Subproject Committee to perform any of its respective obligations under the Financing Agreement.

(f) The Subproject Committee shall have the obligation to report to FAS on progress in implementing the Subproject.

Part E: Implementation of Part B of the Project by GMCVP

1. The Borrower shall carry out Part B of the Project through the GMCVP within INE. Except as the Association shall otherwise agree, in carrying out Part B of the Project, GMCVP shall apply the procedures and guidelines agreed with the Borrower and the Association during the reviews to take place in accordance with Part A, paragraph 1 (b) (vi) and (vii) of this Schedule.

2. Study Selection Criteria

(a) In order to be financed under Part B of the Project, studies must be initiated, prepared, implemented and presented by local researchers and institutions (these may be associated with foreign universities or research centers) and approved by GMCVP.

(b) The studies should focus on low-income groups of the population, the social impact of the economic reform, the opportunities within and structure of the labor market and monitoring of living standards of the population.

(c) The studies should use sound methodology, a realistic budget should be included, and the study should be implementable in less than a year.

(d) Research sponsorship and other activities shall be approved by GMCVP for funding in accordance with procedures agreed with the Association.

(e) If a study proposal is approved, the GMCVP will request a review on the methodological aspects of the study. The GMCVP will determine if the proposal complies with the study fund criteria, and if necessary, other relevant ministries will be invited to comment on the relevance of the proposed study for current policy issues. If necessary, the proposal will be reviewed on the basis of these recommendations. The GMCVP will ensure that the study approval cycle does not last more than two months.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means, in the case of Special Account A, Categories (1), (2) (a), (3), (4) and (6) (a), and in the case of Special Account B, Categories (2) (b), (5) and (6) (b), all as 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 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, in the case of Special Account A, equivalent to \$ 1,500,000, and, in the case of Special Account B, equivalent to \$200,000, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation for: (i) Special Account A shall be limited to an amount equivalent to \$750,000 until the aggregate amount of withdrawals from the Credit Account under the Eligible Categories for Special Account A plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part A of the Project shall be equal to or exceed SDR 3,300,000; and (ii) Special Account B shall be limited to an amount equivalent to \$100,000 until the aggregate amount of withdrawals from the Credit Account under the Eligible Categories for Special Account B, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part B of the Project, shall be equal to or exceed SDR 650,000.

2. Payments out of a 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 a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish a 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 a deposit or deposits 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 a Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of a Special Account, the Borrower shall furnish to the Association requests for deposits into such 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 a 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 a 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 either of the Special Accounts;

(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, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the respective Authorized Allocations.

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 a 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 a 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 a 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 either 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.



