

CONFORMED COPY

CREDIT NUMBER 2963-SE

Development Credit Agreement

(Sustainable and Participatory Energy Management Project)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 27, 1997

CREDIT NUMBER 2963-SE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 27, 1997, between REPUBLIC OF SENEGAL (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association):

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

(B) the Association has received a letter, dated January 30, 1997, from the Borrower describing a program of actions, objectives and policies designed to strengthen the Borrower's energy sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank), acting as implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the Global Environment Facility Trust Fund (GEF Trust Fund) by certain members of the Bank as participants of the GEF, to provide additional assistance towards the financing of the Project and by the Global Environment Facility Trust Fund Grant Agreement (the GEF Grant Agreement) of even date herewith, the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to three million four hundred thousand Special Drawing Rights (SDR 3,400,000);

(D) the Borrower intends to contract from the Kingdom of the Netherlands

(Netherlands) a grant (the Dutch Grant) in an amount equivalent to \$8,800,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the Dutch Grant Agreement) to be entered into between the Borrower and the Netherlands; 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 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 Association 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."

- (c) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Association. If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days, or (b) at any time, the Association determines, after consultation with the Borrower, that an amount of the Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Credit, or (c) at any time, the Association determines, with respect to any contract to be financed out of the proceeds of the Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (d) at any time, the Association determines that the procurement of any contract to be financed out of the proceeds of the Credit is inconsistent with the procedures set forth or referred to in the Development Credit Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (e) after the Closing Date, an amount of the Credit shall remain unwithdrawn from the Credit Account, the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be canceled."

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) "Beneficiary" means an individual, a group of individuals, a community, or a non-governmental organization, for whose benefit Matching Funds (as hereinafter defined) are provided or proposed to be provided;

- (b) "DE" means the Directorate of Energy within MEMI (as hereinafter defined);
- (c) "DEFCCS" means Direction des Eaux et Forêts, Chasse et Conservation du Sol, the National Water and Forest Directorate, within MEPN (as hereinafter defined);
- (d) "Franc de la Communauté Financière Africaine" and "CFAF" mean the currency of the Borrower;
- (e) "Forestry Services" means the Forestry Services Directorate within MEPN (as hereinafter defined);
- (f) "Matching Funds" means grants provided by the Borrower under Parts B.4 and C.4 of the Project;
- (g) "Management Plan" means the plan prepared by the Borrower, in consultation with the rural communities, regarding the management of forest and forest products within a specific rural community or communities within the territory of the Borrower;
- (h) "Management Plan Contract" means a contract to be entered into between the Borrower and a specific community group for the purposes of carrying out a Management Plan;
- (i) "MEMI" means the Borrower's Ministry of Energy, Mining and Industry;
- (j) "MEPN" means the Borrower's Ministry of Environment and Protection of Nature;
- (k) "MEFP" means the Borrower's Ministry of Economy, Finance and Planning;
- (l) "NGO" means a non governmental organization operating under the laws of the Borrower;
- (m) "Performance Monitoring Indicators" means the indicators referred to in Schedule 5 to this Agreement;
- (n) "PCU" means Project Coordination Unit established by the Borrower on April 22, 1997 and referred to in paragraph 2 of Schedule 4 to this Agreement;
- (o) "Procedures Manual" means the manual adopted by the Borrower for the purposes of carrying out of the Project, containing inter alia, work programs, training programs, monitoring and performance indicators and procedures and terms and conditions and eligibility criteria for the matching funds, to be used for the purposes of implementation of Parts B and C of the Project, as the same may be amended from time to time, in consultation with, and with the approval of, the Association, and such term includes any schedules to the Procedures Manual;
- (p) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (q) "Steering Committee" means the committee established by the Borrower on April 22, 1997 and referred to in paragraph 1 of Schedule 4 to this Agreement;
- (r) "Sub-Account" means any one of the accounts referred to in Section 2.02 (c) of this Agreement;" and (s) "Technical Committee" means the committee established by the Borrower on April 22, 1997 and referred to in paragraph 1 of Schedule 4 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 three million eight hundred thousand Special Drawing Rights (SDR 3, 800,000).

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, works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in CFA Francs a special deposit account in a commercial bank on terms and conditions, satisfactory to the Association, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

(c) The Borrower may, for the purposes Parts B and C of the Project, open and maintain in CFAF, two Sub-Accounts of the Special Account, on terms and conditions satisfactory to the Association.

Section 2.03. The Closing Date shall be December 31, 2004, 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 and service charges shall be payable semiannually on June 15 and December 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 semi-annual installments payable on each June 15 and December 15 commencing June 15, 2007 and ending December 15, 2036. Each installment to and including the installment payable on December 15, 2016, 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 French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

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

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. The Borrower shall, not later than December 31, 2000, prepare and adopt a revised woodfuels fiscal and pricing policy acceptable to the Association which shall include, inter alia, mechanisms to: (i) promote sustainable management of forest resources by rural communities; (ii) maximize direct revenues from the exploitation of woodfuels at the producer level; and (iii) optimize the economic efficiency of the sector taking into account the real economic value of woodfuels.

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 Sub-Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

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

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

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

(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

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

ARTICLE VI

Effective date; Termination

Section 6.01. The following event is specified as additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions namely that all conditions precedent to the effectiveness of the GEF Grant Agreement, other than fulfillment of the conditions precedent to the effectiveness of this Agreement, have been satisfied.

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

ARTICLE VII

Representative of the Borrower; Addresses

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

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|-----|--|-----------|---|
| (1) | Civil works under Part B of the Project (excluding B.4) | 130,000 | 100% of foreign expenditures and 90% of local expenditures |
| (2) | Equipment and vehicles | | 100% of foreign expenditures and 90% of local expenditures |
| | (a) Under Part A of the Project | 50,000 | |
| | (b) Under Part B of the Project (excluding B.4) | 300,000 | |
| (3) | Consultants' services | | 100% |
| | (a) Under Part A of the Project | 220,000 | |
| | (b) Under Part B of the Project (exclud- ing B.4) | 160,000 | |
| (4) | Goods | | 100% of foreign expenditures and 90% of local expenditures |
| | (a) Under Part A of the Project | 750,000 | |
| | (b) Under Part B of the Project (exclud- ing B.4) | 300,000 | |
| (5) | Goods, works and services under Part B.4 of the Project | 720,000 | 100% of foreign expenditures and 60% of local expenditures |
| (6) | Incremental operating costs | | 90% |
| | (a) Under Part A of the Project | 180,000 | |
| | (b) Under Part B of the Project (exclud- ing B.4) | 660,000 | |
| (7) | Training | | 100% of foreign expenditures and 90% of local expenditures |
| | (a) Under Part A of the Project | 45,000 | |
| | (b) Under Part B of the Project (exclud- ing B.4) | 220,000 | |
| (8) | Unallocated | 340,000 | |
| | TOTAL | 3,400,000 | |

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, works 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, works or services supplied from the territory of the Borrower; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods, works or services are supplied, expenditures in such currency for such goods, works or services shall be deemed to be "foreign expenditures"; and

(c) the term "incremental operating costs" means the incremental expenses incurred on account of Project implementation, management and monitoring, including office supplies, vehicle operation, travel and supervision costs but excluding salaries of officials of the Borrower's civil service.

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

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

(b) payments made for expenditures in respect of Categories 1 (b), 2 (b), 3 (b), 4 (b), 5 (b), 6 (b) and 7 (b), unless the Borrower: (i) has furnished to the Association evidence acceptable to the Association that the Borrower has complied with the performance indicators relating to the carrying out of Part A of the Project specified in Part A of Schedule 5 to this Agreement; and (ii) has furnished to the Association a detailed plan, in form and substance acceptable to the Association, for the implementation of Parts B and C of the Project.

4. Notwithstanding the provision of paragraph 3 (b) above, and without limitation to the provisions of Section 6.03 of the General Conditions, if the Borrower shall not have been able to fulfill the condition stipulated in the said paragraph within eighteen months after the Effective Date, the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit or any part thereof.

5. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures: (i) for goods and works under contracts not exceeding \$100,000 equivalent; (ii) for services of consulting firms under contracts not exceeding \$75,000 equivalent; and (iii) for services of individual consultants under contracts not exceeding \$35,000 equivalent, 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 meet part of the rapidly growing urban demand for household woodfuels, without the loss of forest cover and the ecosystem's carbon sequestration potential and biodiversity.

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: Preparatory and Support Activities

1. Carrying out of a comprehensive assessment of forestry resources in an area of 600,000 hectares in the Tambacounda and Kolda regions.

2. Carrying out of a series of participatory rural appraisals to obtain the demographic, socio-economic and cultural information necessary for the preparation of Management Plans.

3. Designing of monitoring and evaluation systems including (i) a forest resources exploitation monitoring system; (ii) a forest fire monitoring and response system; (iii) a rural community-based wildlife monitoring system; (iv) a national wood-fuel trade flows monitoring system; and (v) a system for monitoring the impact of penetration of substitution fuels and of improved stoves.

4. Preparation of a capacity building program with emphasis on training and extension needs of the forestry and energy services, community groups and non-governmental organizations.
5. Provision of technical advisory services, in the area of institutional development, to the Borrower's agencies, non-governmental organizations and community groups associated with the carrying out of Parts B and C of the Project.
6. Preparation of a detailed implementation plan for a series of annual participatory forest and natural resources management modules referred to in Part B.3 of this Schedule including the preparation of standard Management Plan Contracts therefor.
7. Preparation of an implementation plan for the purpose of carrying out Parts B and C of this Project; and carrying out of energy demand and interfuel substitution studies.
8. Designing of a comprehensive Project implementation communication strategy for the Project aimed at increasing participation of NGOs and the private sector in the management and operation of the traditional and household fuels sub-sector.
9. Acquisition of equipment and material for the carrying out of activities referred to in paragraphs 1 through 8 of Part A above.

Part B: Sustainable Wood Fuel Supply Management

1. Carrying out of activities included in the Management plans over an area of approximately 300,000 hectares, including the strengthening of the buffer zone around the Niokolo-Koba National Park within the territory of the Borrower.
2. Carrying out of a national dead wood assessment.
3. Provision of technical advisory services to the villages in the Tambacounda and Kolda Regions and NGOs for the implementation of participatory forest-natural resources management modules.
4. Provision of technical advisory services and matching funds to Beneficiaries for the establishment of rural productive or social services micro-enterprises, including, inter alia, community-operated carbonization units and agro-forestry processing units.
5. Provision of technical advisory services in the implementation of a communication strategy related to the activities carried out under this Part B.
6. Acquisition of equipment and material for the carrying out of activities referred to in paragraphs 1 through 5 of Part B above.

Part C: Demand Management and Inter-fuel Substitution

1. Provision of technical advisory services for the reorganization and/or modernization of the urban charcoal trade, including establishment of long-term woodfuels supply agreements between rural communities and urban traders.
2. Provision of technical advisory services to MEMI to enhance the activities for the economic diversification of charcoal traders.
3. Carrying out of studies to assess the technical and market feasibility for Liquefied Petroleum Gas and Kerosene.
4. Provision of technical advisory services and matching funds to Beneficiaries for the promotion of the use of LPG and Kerosene and improved stoves, as well as for the modernization of the woodfuel distribution system including the reconversion of charcoal traders.
5. Provision of technical advisory services in the implementation of a communication strategy related to the activities carried out under this Part C.
6. Acquisition of equipment and materials for the carrying out activities referred to in paragraphs 1 through 5 of Part C above.

* * *

The Project is expected to be completed by June 30, 2004.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (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 to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

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

(b) Preference for domestically manufactured goods

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

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

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$150,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement from UN Agencies

Office equipment and vehicles may be procured from the Inter Agency Procurement Services Office of the United Nations Development Programme in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall

be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for equipment and vehicles, 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.

(b) With respect to each contract for goods estimated to cost the equivalent of \$20,000 or more, the following procedures shall apply:

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

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

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

3. Post Review

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

Section II. Employment of Consultants

Part A: General

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

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services for under Parts A.2, A.6, A.7, A.8, B.1, B.2, B.3, B.4, B.5, C.1, C.2, C.3, C.4, and C.5 of the Project, estimated to cost less than \$150,000 per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for carrying out participatory rural appraisals under Parts A and B of the Project estimated to cost less than \$50,000 equivalent per contract, and all contracts for audit, 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 carrying out studies under Parts A.3, A.4, A.8, B.5, C.1, C.2 and C.4, and for training under Parts A.4, A.5, B.1, B.5, C.1 and C.2 of the Project shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Prior Review

(a) With respect to each contract for consulting firms estimated to cost the equivalent of \$75,000 or more, and all contracts for audit, 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.

(b) With respect to each contract for individual consultants estimated to cost the equivalent of \$35,000 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.

2. Post Review

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

SCHEDULE 4

Implementation Program

1. For the purpose of oversight of the carrying out of the Project, the Borrower shall maintain, until the completion of the Project, a Technical Committee and a Steering Committee. The Technical Committee shall consist of representatives from DEFCCS and DE, donor agency referred to in Recital C of the Preamble to this Agreement and the Directorate of Economic and Financial Cooperation of MEFP. The Steering Committee shall consist of a limited number of members whose terms of reference shall be acceptable to the Association.

2. For the purpose of the day to day operation of the Project, the Borrower shall maintain a Project Coordinating Unit (PCU). The PCU shall, at all times, consist of the following key staff: a National Project Coordinator, two project managers, one administrative and financial administrator and a secretariat.

3. The MEPT and MEMI shall, through the PCU, be jointly responsible for the overall implementation of the Project. The DE and the DEFCCS shall be jointly responsible for carrying out Part A of the Project; the DEFCCS shall be responsible for carrying out Part B of the Project and the DE shall be responsible for carrying out Part C of the Project.

4. Except as the Association shall otherwise agree, the Borrower shall, in carrying out the Project, apply the guidelines and procedures specified in the Procedures Manual and shall not amend such Procedures Manual or waive any provision thereof which, in the opinion of the Association, will materially or adversely affect the implementation of the Project.

5. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

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

(c) review with the Association, by June 30, 2001, or such later date as the Association shall request, the report referred to in (b) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the

achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association views on the matter.

SCHEDULE 5

Performance Monitoring Indicators

(PERFORMANCE MONITORING INDICATORS WAS DONE IN THE REGION, SEE ORIGINAL)

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (7) 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, works and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to CFAF 225,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to CFAF 125,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,000,000.

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

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

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

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

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

4. For each payment made by the Borrower out of the Special Account, or out of the Sub-Accounts, 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 and the Sub-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, 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 or the Sub-Accounts 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 or the Sub-Accounts: (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 or the Sub-Accounts 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 or the Sub-Accounts.

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

