

CONFORMED COPY

LOAN NUMBER 4387 GA

Loan Agreement

(Pilot Community Infrastructure Works and Capacity Building Project)

between

THE GABONESE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated October 27, 1998

LOAN NUMBER 4387 GA

LOAN AGREEMENT

AGREEMENT, dated October 27, 1998, between THE GABONESE REPUBLIC (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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 Bank to assist in the financing of the Project; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan 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 Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through December 2, 1997), constitute an integral part of this Agreement.

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

(a) "CFA Franc" or "CFAF" means Franc de la Communauté Financière Africaine,

the currency of the Borrower;

(b) "COC" means Comité Interministériel pour l'Orientation et la Coordination, the Borrower's Project supervision and coordination committee referred to in paragraph 2 of Schedule 5 to this Agreement;

(c) "Community" means the inhabitants of a Neighborhood (as hereinafter defined);

(d) "French Francs" and "FRF" mean the lawful currency of the French Republic;

(e) "Implementation Manual" or "IM" means the manual referred to in paragraph 1 of Schedule 5 to this Agreement, containing, inter alia, monitoring and performance indicators, procurement guidelines, bidding procedures, conditions to be included in Neighborhood Agreements (as hereinafter defined), and other relevant arrangements for carrying out the Project, as the same may be amended from time to time with the approval of the Bank, and such term includes any schedules and attachments supplemental to the Implementation Manual;

(f) "Local Collectivity" means a collectivité locale as defined in Article 112 of the Borrower's Constitution;

(g) "Microproject" means a specific development activity under Part B.3 of the Project, constituting part of a Neighborhood Project (as hereinafter defined);

(h) "MP" means Ministère de la Planification, de l'Environnement et du Tourisme, the Borrower's Ministry in charge of planning;

(i) "Municipality" means one or all of the Local Collectivities of Libreville, Franceville and Port-Gentil, in which Neighborhoods (as hereinafter defined) are located;

(j) "Neighborhood" means any of the following areas within a Municipality for the benefit of whose inhabitants Project activities are to be, or are being, carried out, namely: Avéa (in Libreville), Ongali (in Franceville), and Quartier Sud and Quartier Balise (in Port Gentil); and "Neighborhoods" means all of these areas combined;

(k) "Neighborhood Project" means all development activities (the Microprojects) financed out of the proceeds of the Loan in a Neighborhood;

(l) "Neighborhood Agreement" means an agreement to be entered into between the Borrower and a Municipality for the purposes of carrying out a Neighborhood Project, and such term includes all schedules to the Neighborhood Agreement;

(m) "NGO" means a non-governmental organization established and operating in the territory of the Borrower;

(n) "PAPSUT" means the implementation unit referred to in paragraph 1 of Schedule 5 to this Agreement, established within MP, in charge, inter alia, of carrying out the activities under the Loan Agreement between the Borrower and the Bank, dated October 13, 1994 (Transport Sector Technical Assistance Project-Loan No. 3777 GA), and under this Agreement;

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

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

(q) "Technical Unit" means an administrative unit of a Municipality referred to in paragraph 5 of Schedule 5 to this Agreement; and

(r) "TIPPEE" means Travaux d'Intérêt Public pour la Promotion de l'Entreprise et de l'Emploi, labor intensive small-scale public infrastructure works carried out in the Borrower's territory.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, a total amount of thirty million four hundred thousand French Francs (FRF 30,400,000).

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

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

Section 2.03. The Closing Date shall be December 31, 2001 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to PIBOR Base Rate plus PIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(iii) "PIBOR Base Rate" means, for each Interest Period, the Paris interbank offered rate for six-month deposits in FRF for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) "PIBOR Total Spread" means, for each Interest Period: (A) one half of one percent ($1/2$ of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the Paris interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan, as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of PIBOR Base Rate and PIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank

determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

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

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) open and maintain an account in CFAF (the Project Account) in a commercial bank on terms and conditions satisfactory to the Bank;

(b) promptly thereafter, make an initial deposit into such account, in the amount of CFAF 300,000,000 to finance the Borrower's contribution to the Project;

(c) deposit into the Project Account by April 15, and October 15, in each year, until the completion of the Project, such amounts as shall be required to timely replenish the Project Account back to the amount of the initial deposit referred to in paragraph (b) above; and

(d) ensure that amounts deposited into the Project Account shall be used exclusively to finance expenditures made or to be made, if the Bank shall so agree, in respect of reasonable cost of works and services for the Project in addition to those financed out of the proceeds of the Loan.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the works and services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future extension of TIPPEE operations to Local Collectivities in the territory of the Borrower, taking into account the lessons learned during the implementation of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) Have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) Furnish to the Bank 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 Bank shall have reasonably requested; and

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

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

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

(ii) Enable the Bank's representatives to examine such records; and

(iii) 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

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Borrower has:

(a) established the Project Account and deposited therein the initial deposit referred to in Section 3.02 (b) of this Agreement;

(b) employed the auditors referred to in Section 4.01 (b) of this Agreement, in accordance with the provisions of Section II of Schedule 4 to this Agreement;

(c) appointed the personnel, satisfactory to the Bank, referred to in paragraph 3 (a), (b), (d) and (e) of Schedule 5 to this Agreement, in accordance with the provisions of said paragraph;

(d) established within PAPSUT an accounting and financial system for the Project satisfactory to the Bank;

(e) adopted the Implementation Manual, in form and substance satisfactory to the Bank; and

(f) published a decree, in form and substance acceptable to the Bank, establishing the COC, in a newspaper carrying legal announcements, acceptable to the Bank.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of the Borrower at the time responsible for planning is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministère de la Planification, de l'Environnement et du Tourisme
BP 747
Libreville
Gabon

Telex:

5409 GO

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, NW
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

THE GABONESE REPUBLIC

By /s/ Paul Bunduku-Latha

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jean-Louis Sarbib

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in French Francs)	% of Expenditures to be Financed
(1) Civil works under Part B.1 of the Project	13,700,000	50%
(2) Civil works for Microprojects	5,300,000	75%
(3) Consultants' services	9,700,000	75%
(4) Unallocated	1,700,000	
TOTAL	30,400,000	

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

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

(b) payments made for expenditures under Category (1) of the table set forth in paragraph 1 of this Schedule unless detailed engineering studies for access and transit roads, acceptable to the Bank, have been submitted to and approved by the Bank; and

(c) payments made for expenditures under Category (2) of the table set forth in paragraph 1 of this Schedule, unless: (i) the Neighborhood Project, of which a Microproject to be financed out of the proceeds of the Loan is part, complies with the eligibility criteria, procedures and conditions specified in paragraph 9 of Schedule 5 to this Agreement, and has been approved by the Bank in accordance with the provisions set forth in paragraph 8 (b) (ii) of Schedule 5 to this Agreement; and (ii) a Neighborhood Agreement, satisfactory to the Bank, has been entered into between the Borrower and the Municipality concerned under the terms and conditions set forth in paragraph 10 of Schedule 5 to this Agreement.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) works under contracts equivalent each to \$100,000 or less; (b) services of consulting firms under contracts equivalent each to \$100,000 or less; and (c) services of individual consultants under contracts equivalent each to \$50,000 or less; all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to design and test, in selected poor urban areas, management methods and procedures for the carrying out of small scale urban infrastructure works, and to disseminate information on such methods and procedures, aimed at strengthening the private construction sector and increasing employment in

said sector.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Strengthening of Institutional Capacity

1. Preparation of TIPPEE documentation and dissemination of said documentation to the Borrower's public works contracting ministries and agencies, Local Collectivities and public or private sector enterprises, through the provision of technical advisory services.
2. Carrying out of a training program for relevant staff of the ministries, agencies and other entities, referred to under paragraph 1 above, in the use of TIPPEE documents.
3. Identification of local, private and non-governmental agencies and strengthening of their expertise in carrying out feasibility studies for proposed Neighborhood Projects and for the carrying out thereof, through the provision of technical advisory services and the carrying out of training programs for relevant staff.

Part B: Pilot Community-based Infrastructure Works

1. Paving of access and transit roads and construction/rehabilitation/repair of drainage works within Neighborhoods, through the carrying out of works and the provision of technical advisory services.
2. Preparation of Community-designed development plans for Neighborhoods and of Neighborhood Agreements for the implementation of said plans, replicable in other Local Collectivities, to comprise, inter alia: (a) identification of existing infrastructure assets and unused public lands; (b) a traffic plan for the area under consideration; and (c) proposals to improve sanitation; all through the provision of technical advisory services.
3. Carrying out of Microprojects, complementing the works carried out under paragraph 1 above, including construction/rehabilitation/repair for, inter alia: (a) footpaths and small bridges; (b) community meeting rooms; (c) playgrounds and open-air sport areas; (d) taxi and bus stops; (e) public lighting; (f) public latrines; and (g) leveled sites for local markets and water standpipes; through the carrying out of works and the provision of technical advisory services.

Part C: Project and TIPPEE Monitoring and Evaluation

1. Development and application of a methodology for the evaluation and monitoring of the social, economic and environmental impacts of the Project, to be used for TIPPEE operations replicated in other Local Collectivities, through the provision of technical advisory services.
2. Development and pilot application of an integrated financial and technical management system for TIPPEE contracts, through the provision of technical advisory services.
3. Carrying out of technical and financial audits of Project activities, through the provision of technical advisory services.

Part D: Preparation of Work Programs and Institutional Reforms for TIPPEE Activities

Carrying out of an annual review, for each of calendar years 1999, 2000 and 2001, of public infrastructure expenditures to identify works programmed in each sector and assess their appropriateness to be carried out as TIPPEE operations.

- (a) Carrying out of a review of the Borrower's procurement regulations and procedures in order to identify revisions facilitating the involvement of, and contract management delegation to, small and medium size contractors for the execution of public infrastructure works;

(b) drafting of revised legal texts accordingly; and

(c) preparation of a development strategy for small and medium size contractors in the construction sector.

1. Preparation of a three-year priority investment program (covering calendar years 2001, 2002 and 2003) for TIPPEE operations, including (a) feasibility studies therefore, and (b) detailed engineering studies for TIPPEE operations to be implemented during the first year of said program.

2. All of the above activities shall be carried out through the provision of technical advisory services.

* * *

The Project is expected to be completed by June 30, 2001.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in French Francs)*
beginning December 15, 2003	
through June 15, 2013	1,520,000

* The figures in this column represent the amount in French Francs to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Works

Part A: General

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 as revised through September 1997 (the Guidelines) and the following provisions of this Section.

Part B: International Competitive Bidding

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$2,420,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Procurement of Small Works

Small works under Part B.3 of the Project, estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$860,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) 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 complete the contract successfully.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to each contract for works estimated to cost the equivalent of \$30,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

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, and revised in September 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 under Part B of the Project, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

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

2. Single Source Selection

Services for training and planning under Parts A.3 and B.2 of the Project which are estimated to cost less than \$50,000 equivalent per contract, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines may 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 the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

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

3. Post Review

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

Implementation Program

Part A: Overall Project Implementation

1. The Borrower shall carry out the Project through PAPSUT within MP, in accordance with the Implementation Manual and, except as the Bank shall otherwise agree, shall not amend or waive any provision of said IM if, in the opinion of the Bank, such amendment or waiver may materially and adversely affect the implementation of the Project.

2. The Borrower shall establish the COC under the chairmanship of MP's Minister to ensure coordination between the Borrower's ministries concerned by Project implementation. Such COC shall comprise members of the Borrower's ministries concerned, operate in accordance with terms of reference acceptable to the Bank, and meet from time to time, as needed, but at least every six months until the completion of the Project.

3. The Borrower shall appoint in PAPSUT:

(a) a Project coordinator;

(b) an accountant responsible for the maintenance of records and accounts to reflect resources and expenditures in respect of the Project;

(c) an economist in charge of evaluating the economic impact of the Project under Part C.1 of the Project and the monitoring of Part D of the Project;

(d) a civil engineer in charge of managing all contracts related to civil works to be carried out under Parts B.1 and B.3 of the Project; and

(e) a research officer in charge of monitoring the preparation of Community-designed development plans and Neighborhood Agreements under Part B.2 of the Project, the training related thereto under Part A.3 of the Project, and evaluating the social and environmental impacts of the Project under Part C.1 of the Project.

All said staff shall have qualifications and experience satisfactory to the Bank. The Borrower shall, until the completion of the Project, maintain qualified and experienced staff, satisfactory to the Bank, in said positions.

4. The Borrower shall ensure that an accounting system relevant to Project needs, satisfactory to the Bank, is operating in PAPSUT at all times until the completion of the Project.

5. The Borrower shall ensure that each Municipality shall maintain:

(a) a Technical Unit, operating in coordination with PAPSUT, in a manner satisfactory to the Bank, for the implementation and monitoring of Part B of the Project, in the area of jurisdiction of said Municipality; and

(b) in said Technical Unit, a staff member, with experience and qualifications satisfactory to the Bank, in charge of coordination with PAPSUT.

6. The Borrower shall:

(a) transfer, upon completion of a Microproject, the rights on, and responsibility for, infrastructure under said Microproject to the Municipality concerned, in accordance with the Borrower's laws; and

(b) ensure that each Municipality shall maintain, or cause to be maintained, in accordance with applicable professional standards, the infrastructure works financed out of the proceeds of the Loan.

7. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the performance indicators agreed

upon between the Borrower and the Bank, the carrying out of the Project, and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish, through PAPSUT, to the Bank, on or before the end of every six month period, beginning from the Effective Date, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph, on the progress achieved in the carrying out of the Project during the period preceding the date of said report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;

(c) review with the Bank, by the end of the month following the transmission of the report referred to in subparagraph (b) of this paragraph, or such later date as the Bank shall request, said report and, thereafter, take all measures required to ensure the efficient implementation of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter; and (d) attach to the fourth of said reports referred to in subparagraph (b) of this paragraph, for the Bank's review and comments, draft guidelines providing for the application of the Implementation Manual, modified in accordance with the lessons learned during Project implementation, to TIPPEE operations in other Local Collectivities.

8. Project Reviews

(a) Not later than September 30, 1999, the Borrower and the Bank shall undertake a joint in-depth review of Project implementation (hereinafter referred to as the First Annual Review, and the review to be carried out twelve months later shall be referred to as the Second Annual Review). The Borrower shall take all action necessary on its part to ensure the participation in such Annual Reviews of representatives of the Municipalities and Technical Units concerned. Such Annual Reviews shall cover all matters relating to the carrying out of the Project and progress achieved, having regard to the indicators referred to in paragraph 7 (a) of this Schedule, in attaining its objective, including: (i) efficiency and costs of PAPSUT's contract management under Part B of the Project, and notably the average time-span for contractor's payments; (ii) progress in the preparation and dissemination of TIPPEE documentation and the training in TIPPEE methodology; and (iii) proposals for the carrying out of Neighborhood Projects during the following year.

(b) Not later than one month prior to the First Annual Review, the Borrower shall, through PAPSUT, furnish to the Bank: (i) for its review and comments, a report, in such detail as the Bank shall reasonably request, on the progress achieved in the carrying out of the Project, covering the issues to be reviewed, including a summary of the reports referred to under paragraph 7 (b) of this Schedule, and an evaluation of the remedial actions undertaken pursuant to the provisions of paragraph 7 (c) of this Schedule, if any; and (ii) for its review and approval, the documentation, in such form and detail as the Bank shall reasonably request, on Neighborhood Projects and Microprojects included in such Neighborhood Projects and to be financed out of the proceeds of the Loan during the following year.

(c) Following such First Annual Review, the Borrower shall act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming identified in the implementation of the Project, or to implement such measures as agreed upon between the Borrower and the Bank in furtherance of the objective of the Project.

(d) During the Second Annual Review, the Borrower and the Bank shall assess the issues referred to under subparagraph (a) above relating to the second year of Project implementation, and, in addition: (i) the documentation referred to under Part A.1 of the Project; and (ii) progress achieved in the implementation of Parts B and D of the Project. The provisions set forth in above subparagraphs (b) and (c) shall apply, mutatis mutandis, to the Second Annual Review with the exception that the Borrower shall, through PAPSUT, furnish to the Bank, for its review and approval, an assessment, in such scope and detail as the Bank shall reasonably request, of the items referred to under (i) and (ii) of this subparagraph (d).

Part B: Eligibility Criteria for Neighborhood Projects

9. Without limitation upon the provisions of paragraph 1 of this Schedule 5, a Neighborhood Project shall be eligible for financing out of the proceeds of the Loan only if and when PAPSUT has determined in consultation with the Municipality concerned, on the basis of an appraisal conducted in accordance with the guidelines set forth in the IM, that the Neighborhood Project satisfies the eligibility criteria specified below and in more detail in the IM, which shall include, inter alia, the following:

(a) General eligibility criteria for Neighborhood Projects and Microprojects included in said Neighborhood Projects:

(i) the Neighborhood Project shall be initiated by a Community and integrated into the Community-designed development plan established for said Neighborhood;

(ii) a Microproject shall be for one or more of the types of infrastructure referred to in Part B.3 of the Project and supported by detailed implementation, operation and maintenance arrangements in accordance with technical standards specified in the IM and TIPPEE documentation prepared by PAPSUT under Part A.1 of the Project;

(iii) a Microproject shall be economically, financially and technically viable, and environmentally sound, in accordance with the standards specified in the IM and TIPPEE documentation prepared by PAPSUT under Part A.1 of the Project;

(iv) a Microproject shall comply with the standards set forth in the Borrower's applicable laws and regulations relating to health, safety and environmental protection; and

(v) Neighborhood Projects involving involuntary resettlement of population shall not be eligible for financing under the Project.

(b) Specific eligibility criteria for Neighborhood Projects and Microprojects included in said Neighborhood Project:

(i) the Municipality shall have declared its commitment, in the Neighborhood Agreement, in form and substance satisfactory to PAPSUT, to contribute at least 10% of the Neighborhood Project costs;

(ii) the costs of a Microproject shall not be more than the equivalent of \$50,000, and the costs of a Neighborhood Project shall not be more than the equivalent of \$250,000; and

(iii) the Community shall have declared its commitment, in form and substance satisfactory to PAPSUT, and endorsed by the Municipality, to: (A) contribute at least 10% of any Microproject's costs in kind or in cash; and (B) meet the maintenance and other incremental costs, if any, related to the Microproject following the completion thereof.

Part C: Terms and Conditions for Neighborhood Agreements

10. Neighborhood Projects shall be carried out pursuant to Neighborhood Agreements, concluded between the Borrower, through PAPSUT, and the Municipality concerned, under terms and conditions specified in the IM, satisfactory to the Bank, which shall, inter alia, include the following:

(a) the obligation of the Municipality to take all necessary measures on its part so that the Neighborhood Project is carried out in accordance with the provisions of the IM, with due diligence and efficiency and in accordance with sound environmental, technical, financial and managerial standards, and, in particular:

(i) its obligation to contribute to the costs of the Neighborhood Project pursuant to

subparagraph (b) (i) of paragraph 9 of this Schedule; and (ii) the commitment of the Communities referred to in subparagraph (b) (iii) of paragraph 9 of this Schedule;

(b) the requirement that: (i) the works and services to be financed out of the proceeds of the Loan shall be procured in accordance with the procedures set forth in Schedule 4 to this Agreement pursuant to form contracts provided in the IM; and (ii) such works and services shall be used exclusively in the carrying out of the Neighborhood Project;

(c) the right of the Borrower to inspect, by itself, or jointly with the Bank, if the Bank shall so request, the work sites, plants and construction included in the Neighborhood Project, the operations thereof and any relevant records and documents;

(d) the right of the Borrower to obtain all information as the Borrower or the Bank shall reasonably request regarding the implementation, administration and operations of the Neighborhood Project; and

(e) the right of the Borrower to suspend or terminate the right to use the proceeds of the Loan for carrying out the Neighborhood Project upon failure by the Municipality to perform any of its obligations under its Neighborhood Agreement.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), and (3), 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 works and services required for the Project and to be financed out of the proceeds of the Loan 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 of CFAF 300,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to CFAF 150,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of FRF 15,000,000.

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 Bank 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 Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank 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 Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan 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 Bank, 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 Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank 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 Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank 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 Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank 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 Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

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

